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- () I would like to sign my review report
- (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	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

Must be

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

Open Review

English language and style

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 (R²) 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 R².

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').

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- () 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)	()	()
		^		Constant Andrews

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.

Open Review

English language and style

Comments and Suggestions for Authors

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

Open Review

English language and style

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- () 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)	()	()	()
		Commo	onto and Suggas	tions for Authors

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.

Open Review

English language and style

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.





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 5 governance disclosure, firm value, firm performance, and audit committee as a moderating variable 6 in the Indonesian context. The ownership structures in this study are foreign ownership, public 7 ownership, state ownership, and family ownership. This research is quantitative research by using 8 secondary data. The sample was 140 companies listed on the Indonesia Stock Exchange for the 2018-9 2020 period. This study uses legitimacy, stakeholder, and agency theory. The analytical method 10 used is Partial Least Squares Structural Equation Modeling. The results show that foreign and public 11 ownership positively and significantly affect environmental, social, and governance disclosure. 12 However, state and family ownership do not significantly affect environmental, social, and govern-13 ance disclosure. In addition, Environmental, social, and governance disclosure positively impacts 14 firm value. However, environmental, social, and governance do not affect at the company's perfor-15 mance. The audit committee moderates the influence of environmental, social, and governance dis-16 closure and firm value. However, the audit committee does not moderate the effect of environmen-17 tal, social, and governance disclosure and company performance. 18

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 environ-23 ment and society. It is due to demands from stakeholders, customers, regulators, company 24 shareholders, suppliers, employees, creditors, media, and social, and environmental ac-25 tivist groups (Maama & Appiah 2019; Sajjad et al. 2019). Environmental, social, and gov-26 ernance (ESG) analysis has become an essential part of the investment process due to in-27 creasing attention to investing in companies' social impact and sustainability (Caporale et 28 al., 2022). Lack of clarity on the disclosure of environmental, social. and governance (ESG) 29 practices can create information gaps for responsible financiers and investors when mak-30 ing assessments (Rabaya & Saleh 2021). ESG disclosures reveal the company's overall 31 initiatives to stakeholders, including regulators, communities, investors, and employees 32 (Atif et al. 2022). 33

Environmental, social, and governance disclosure activity includes three main com-34 ponents. The first component is the environment, which includes aspects related to pol-35 lution, mitigation, and climate change sustainability. The second component is social, 36 which refers to how an organization treats its communities, employees, and clients and 37 its responsibility in products and services, diversity, the fight against corruption, and re-38 spect for human rights throughout the supply chain. The last component is govern-39 ance, which is related to balancing the interests of stakeholders and shareholders and ad-40 hering to best corporate governance practices (De Masi et al. 2021). The environmental 41 dimension refers to a company's ability to use natural resources efficiently, reducing en-42 vironmental emissions. The social dimension promotes ethical values, employees' trust 43 and respect for human rights. Finally, the governance dimension is for the benefit of share-44 holders through the company's management system and effective processes (Dicuonzo et 45 al., 2022). 46

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Previous research explained environmental, social and governance, among others, 47 environmental, social and governance disclosure (Kumar & Firoz, 2022; Y. Li et al., 2018; 48Mohammad & Wasiuzzaman, 2021; Rabaya & Saleh, 2021; Wasiuzzaman et al., 2022), 49 (Zhongfei Chen & Xie, 2022), environmental, social and governance performance (He et 50 al., 2022; Sheehan et al., 2022; Daugaard & Ding, 2022; Wang & Sun, 2022), environmental, 51 social and governance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu & Lyu, 2022; 52 Boulhaga et al., 2022) environmental, social and governance reporting (Ahmad et al., 2021; 53 Bamahros et al., 2022); environmental, social and governance practices (Dicuonzo et al., 54 2022; Fuente et al., 2022). This study examines the effect of ownership structure, which 55 includes foreign, public, state, and family ownership, on environmental, social, and gov-56 ernance disclosure, firm value, firm performance, and committee audit as moderating var-57 iables. The study uses a sample of companies listed on the Indonesia Stock exchange. In 58 theory, this research extends theories of legitimacy, stakeholder, and agency theory. More-59 over, the current study provides insight into the role of audit committees in companies 60 regarding environmental, social, and governance disclosure, firm value, and perfor-61 mance. 62

Our study offers several contributions. First, we contribute to the literature by seek-63 ing to understand the ownership structure and environmental, social, and governance 64 disclosure. As mentioned, ownership structure, consists of foreign, state, family and pub-65 lic ownership. we expand on existing knowledge of environmental, social, and govern-66 ance disclosure by exploring the contribution of ownership structures to the three compo-67 nents of environmental, social, and governance practices. Second, this study uses legiti-68 macy, stakeholder, and agency theory. Third, we contribute the effects of environmental, 69 social, and governance disclosure on value and firm performance with the audit commit-70 tee as a moderating variable. 71

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 77 Amosh & Khatib (2021) revealed that the company and stakeholders gain trust and trans-78 parency with the presence of foreign shareholders in a company. Using legitimacy theory, 79 Hanifa & Rashid (2005) described that foreign investors lead to a higher legitimacy gap. 80 Management can disclose environmental, social, and governance elements as a proactive 81 legitimacy strategy that can encourage capital flow from foreign parties and satisfy for-82 eign investors. Legitimacy theory influences and regulates people's goals to get rewards 83 and escape from punished society's actions. Firm disclosure is the result of social values, 84 and the environmental and social disclosure model of legitimacy theory considers stake-85 holder values when considering any decision(Tilling & Tilt, 2010). 86

Foreign ownership also negatively impacts environmental, social, and corporate dis-87 closures (Saini & Singhania 2019; Sharma et al. 2020). Saini & Singhania (2019) used the 88 Bloomberg database's sample period of 8 years from 2008 to 2015. Research from Sharma 89 et al. (2020) used a sample of 82 companies on the Bombay Stock Exchange (BSE) in India. 90 Hasan et al. (2022) concluded that foreign ownership negatively and significantly influ-91 ences sustainability reporting decisions. Hasan et al. (2022) used a sample of 138 firms 92 listed on the Pakistan Stock Exchange period 2009–2018. Furthermore, foreign ownership 93 negatively affects the disclosure of corporate social responsibility in Jordan from manu-94 facturing companies listed on the Amman Stock Exchange (ASE) from 2013 to 2015 (Abu 95 Qa'dan & Suwaidan 2019). Yu & Luu (2021) concluded that foreign ownership did not 96 impact environmental, social, and governance disclosure. Yu & Luu (2021) used 1.963 97 large-cap companies across 49 developed and emerging countries from 2012 to 2016. Bae 98

et al. (2018), Adeniyi & Adebayo (2018), and Rustam et al. (2019) revealed that foreign 99 ownership has a critical role in corporate sustainability disclosure. Bae et al. (2018) used 100 the GRI database period from 2009 to 2016. Adeniyi & Adebayo (2018) used a sample 33 101 firms on the Nigerian Stock exchange. Rustam et al. (2019) used 100 firms listed on the 102 Pakistan Stock Exchange as a sample the period between 2006 and 2018. 103

On the other hand, foreign ownership positively affects the corporate social respon-104 sibility disclosure in China from 5.431 observations (Guo & Zheng 2021) and in Bangla-105 desh (Khan et al. 2012). Foreign ownership positively affects environmental sustainabil-106 itv reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya & Widagdo, 107 2020). Masud et al. (2018) used 88 companies from 2006 to 2016 with 326 observations. 108 Amidjava & Widagdo (2020) used 31 banks as sample listed on the Indonesian Stock ex-109 change period 2012-2016. Foreign ownership positively affects environmental, social, and 110 governance issues (Al Amosh & Khatib, 2021). Al Amosh & Khatib (2021) investigated 51 111 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 with 408 ob-112 servations. Baba & Baba (2021) concluded that foreign ownership positively affects so-113 cial and environmental reporting. Baba & Baba (2021) used 80 companies listed on the 114 Nigerian Stock Exchange as a sample. The study spanned from 2012–2017. Thus, foreign 115 ownership can improve corporate governance, and maximize stakeholder value by en-116 couraging the disclosure of corporate performance in the area of sustainability. Foreign 117 investors encourage corporate governance practices, and various disclosures. one related 118 to disclosure is environmental, social, and governance. It means that the more foreign 119 ownership, the greater the impact on the environmental, social, and governance (ESG) 120 disclosure. Foreign ownership can improve corporate governance and maximize stake-121 holder value by disclosing non-financial information including environmental, social and 122 governance disclosures. Therefore, the following hypothesis is proposed: 123

H1: Foreign ownership positively affects environmental, social, and governance (ESG) 124 disclosure. 125

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 127 individual or community as an investor who buys shares in the company. Legitimacy the-128 ory reveals that managers attempt to meet society's expectations through communication 129 actions to conform to societal norms to secure the legitimacy of business behavior 130 (Suchman, 1995). 131

Khan et al. (2012) revealed that companies with public ownership are more likely to 132 aspire and achieve community aspirations and legitimacy, which increases their social 133 responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasize that the com-134 pany's board strengthens social and environmental responsibility for the company. In ad-135 dition, public ownership will pressure corporate accountability, where shareholders want 136 more comprehensive disclosure of information (Khan et al., 2012). 137

Nugraheni et al. (2022) concluded that public ownership does not impact corporate 138 social responsibility disclosure. They researched manufacturing companies on Indonesia 139 Stock Exchange with sensitive industry categories from 2017 to 2019 (Nugraheni et al., 140 2022). On the other hand, public ownership positively and significantly affects corporate 141 social responsibility disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 142 manufacturing companies on the Dhaka Stock Exchange in Bangladesh as a sample from 143 2005 to 2009. The company has greater pressure to disclose additional information to a 144 number of stakeholders, companies that have public ownership of the company. This is 145 also related to the accountability of the company. One of them is environmental, social 146 and corporate governance. It means that the more public ownership, the more environ-147 mental, social, and governance (ESG) disclosure in the company. Thus, the proposed hy-148pothesis is: 149

H2: Public ownership positively impacts environmental, social, and governance (ESG) 150 disclosure. 151

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 be-153 cause a government invests in the company to achieve goals and promote development. 154 State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 155 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the 156 government can pressure companies to disclose more social and environmental infor-157 mation in addition to financial information, to increase social perceptions of companies. 158 State ownership increases corporate accountability, and transparency which can increase 159 legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation to disclose 160 transparent environmental, social and governance. Companies must manage relationship 161 with stakeholders that influence business decisions. Companies and stakeholders are in-162 terdependent (Manita et al., 2018). 163

State ownership negatively impacts voluntary disclosure (Al-Janadi et al., 2016). Al-164 Janadi et al. (2016) investigated 87 listed companies listed on Saudi Stock Exchange (Tour-165 ism Enterprise Company), period between 2006 and 2007. However, state ownership 166 positively affects environmental, social, and governance (Khlif et al., 2016; Al Amosh & 167 Khatib, 2021). State ownership positively and significantly influences voluntary disclo-168 sure (Albawwat & Ali basah, 2015). Albawwat & Ali basah (2015) used 72 non-financial 169 companies listed on Amman Stock Exchange in Jordan from 2009 to 2013. State ownership 170 of companies can emphasize disclosure of social and environmental responsibilities for 171 companies. Thus, it is also related to environmental, social, and governance. State owner-172 ship positively affects the environment, social, and governance disclosure. It means that 173 the greater the state ownership, the more environmental, social, and governance (ESG) 174 disclosure. Hence, the study hypothesized that: 175

H3: State ownership positively impacts environmental, social, and governance (ESG)
 176
 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 stakehold-184ers through good disclosure of non-financial information (Salvato & Melin, 2008).185Chauhan & Kumar (2018) concludes that voluntary disclosure of non-financial infor-186mation, in this case ESG, is superior and is expected to positively influence the perceptions187of stakeholders and investors.188

Stakeholder theory can be described with ethical and management aspects (Deegan,1892013). From a management point of view, it is assumed that the company should be re-190sponsible for the stakeholders who can influence the economic impact on the organization191(O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to know the192social and environmental consequences of the company's operations (Deegan, 2013).193

Family ownership is share ownership by a family. Family ownership does not affect 194 sustainability reporting (Rudyanto, 2017; Masud et al., 2018). Family ownership does not 195 influence corporate social responsibility disclosure (Salehi et al., 2017). Salehi et al. (2017) 196 have a sample of 125 companies listed on Tehran Stock Exchange the period from 2009 to 197 2014. Rees & Rodionova (2014) also found that family ownership negatively affects the 198 quality of sustainability reports. Rees & Rodionova (2014) a sample of 3,893 firms with 199 23,902 observations in the period from 2002 to 2012 covering 46 countries. On the other 200 hand, family ownership positively and significantly affect sustainability reporting 201 (Amidjaya & Widagdo, 2020). Thus, family ownership can improve the disclosure of en-202 vironmental, social, and governance issues. It means that the greater the family 203

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ownership, the greater the environmental, social, and governance (ESG) disclosure. There-204 fore, the following hypothesis is proposed:

H4: Family ownership positively affects environmental, social, and governance (ESG) disclosure. 207

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

Stakeholder theory reveals that board accountability is not only to shareholders but 209 also to other interested parties. Proponents of stakeholder theory argue that this theory 210 colors the corporate portrait by providing social and economic values and ethical and 211 moral considerations for estimating firm value (Freeman, 1983). Environmental, social 212 and governance disclosures can serve as tools to minimize potential conflicts with stake-213 holders and to increase stakeholders' perceptions of the appropriateness of their compa-214 ny's actions (Freeman, 1984). Thus, the Environmental, social and governance disclosure 215 affects the value of this company can be explained through stakeholder theory. 216

Environmental, and governance practices influence firm value, but social practices 217 do not influence firm value (Ahmad et al., 2021). Ahmad et al. (2021) conducted a study 218 on environmental, social, and governance practices and used 65 companies from Bursa 219 Malaysia in the period from 2017 to 2019. Governance dimensions positively and signifi-220 cantly influence on firm value, but environmental, and social dimensions do not. Envi-221 ronmental, social, and governance disclosure did not effect firm value in a study by 222 (Aouadi & Marsat, 2018). Aouadi & Marsat (2018) conducted research with a sample of 223 4,000 companies in 58 countries during 2002–2011. 224

Environmental, social, and governance disclosure positively influence firm value 225 (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud & Diab, 2018; Kim et al., 2018; 226 Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible 227 Value Assessment database and the Vigeo Corporate environmental, social, and govern-228 ance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 229 developed and emerging countries from the period 2012 until 2016 with 1.996 230 observations. Li et al. (2018) conducted a study on the level of environmental, social, and 231 governance disclosure and firm value using the FTSE 350 in the UK and a sample of 232 2,415 observations from 367 companies from 2004 to 2013. Aboud & Diab (2018) con-233 ducted research and using 1,507 observations from the Egyptian stock market. Kim et al. 234 (2018) used the Korea Investors Service Value and Bloomberg databases from 2010 to 2014 235 in their study. Shaikh (2022) researched 510 environmental, social, and governance 236 scores from 17 countries from 2010 to 2018. It means that the greater the environmental, 237 social, and governance (ESG) disclosure, the higher the firm value. In line with the litera-238 ture, the study proposes the following hypothesis: 239

H5: Environmental, social, and governance (ESG) disclosure positively effect firm 240 value. 241

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

Stakeholder theory reveals that corporate social responsibility has an inconclusive 243 effect on performance because external shareholders can reward companies that are suc-244 cessful in corporate social responsibility practices. However, the responses do not affect 245 performance when companies have poor performance. In other words, corporate social 246 responsibility costs must be commensurate with the benefits obtained. In addition, com-247 panies with poor corporate social responsibility practices may be penalized by external 248 stakeholders, whose negative opinions of the company can adversely affect the company's 249 performance (Carlos & Lewis, 2018). This study uses return on assets (ROA) to measure 250 the firm performance. 251

Environmental, social, and governance disclosure can also negatively and signifi-252 cantly affect firm performance (Buallay, 2019; Duque-Grisales & Aguilera-Caracuel, 2019; 253 Shaikh, 2022; Wasiuzzaman et al., 2022). Buallay (2019) conducted a study that 254

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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 262 performance (Brogi & Lagasio, 2018; Mohammad & Wasiuzzaman, 2021; Boulhaga et al., 263 2022; Kumar & Firoz, 2022; Chen & Xie, 2022). Furthermore, environmental, social and 264 governance disclosure has a positive effect firm performance (Chen & Xie, 2022; Pulino et 265 al., 2022). Environmental, social and governance disclosure positively impact financial 266 performance (Giannopoulos et al., 2022). In addition, integrated reporting also positively 267 and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi & Lagasio 268 (2018) conducted research on US companies with 17,358 observations. Boulhaga et al. 269 (2022) conducted a study using a sample 98 firms and seven years from 2012 to 2018, for 270 a total of 686 observations from French registered companies on the SBF 120 index. 271 Pavlopoulos et al (2019) conducted research and using 82 companies from 25 countries. 272 Chen & Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese stock 273 exchange. Pulino et al. (2022).investigated the largest Italian listed companies as a sample 274 from 2011 to 2020. It means that the greater the environmental, social, and governance 275 (ESG) implementation, the higher the firm performance. Therefore, the following hypoth-276 esis is made: 277

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 monitor-282 ing tool to reduce information asymmetry, limit opportunistic behavior, and improve en-283 vironmental, social, and governance disclosure, firm performance and firm value. The 284 principals use the disclosure of financial and non-financial information to reduce agency 285 costs (i.e., information asymmetry) arising from the separation of ownership and control 286 (Morris, 1987). Companies provide environmental, social, and governance disclosures to 287 reduce information asymmetry (Harjoto & Jo, 2011). Hence, management's increased dis-288 closure of environmental, social, and governance disclosure, which represents additional 289 non-financial information, improves the information environment and reduces the 290 knowledge barrier between the company and its shareholders (Kim et al., 2014). 291

The primary responsibility of the audit committee is to oversee the financial and 292 non-financial reporting processes and to reduce information asymmetry between the 293 managers, stakeholders, and the company (Appuhami & Tashakor, 2017). In particular, 294 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 297 al., 2022).

The audit committee is responsible for the preparing, presenting, and ensuring the 299 integrity of financial statements, applying accounting principles and financial statements, 300 and performing internal control under applicable financial accounting standards. The au-301 dit committee is also responsible for conducting an independent audit of consolidated 302 financial statements based on auditing standards (Djaddang et al., 2017). Furthermore, the 303 audit committee's role is to assist the board of directors in overseeing the company's re-304 porting policies and the quality of the company's financial statements. In addition, the 305 audit committee can increase investor and stakeholder confidence in the reliability and 306 objectivity of financial statements and provide increased efficiency in corporate 307 governance practices (Biçer & Feneir, 2019). As a result, the study suggested the following 308 hypotheses: 309

- H7: The audit committee moderates the impact of environmental, social, and governance (ESG)disclosure and firm value.
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- H8: The audit committee moderates the relationship between environmental, social, and governance (ESG) disclosure and firm performance.
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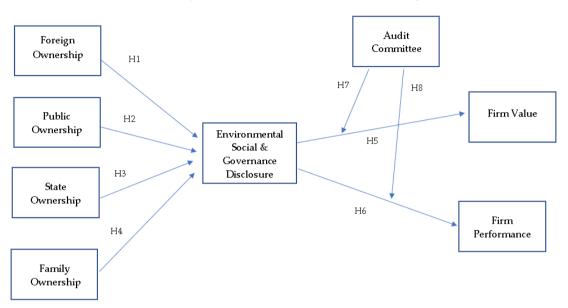


Figure 1. Empirical Research Model

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. 324

3.2. The measurement of variables

Ta

ble 1. Measurement of rese	arch variables
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Variable	Measurement	Sources
Foreign ownership	Percentage of foreign ownership of	(Al Amosh & Khatib, 2021).
	shares to total number of issued shares.	
Family ownership	Percentage of family ownership of	(Al Amosh & Khatib, 2021).
	shares to total number of issued shares.	
State ownership	Percentage of state ownership of shares	(Al Amosh & Khatib, 2021).
	to total number of issued shares	
Public ownership	Percentage of public ownership of	(Khan et al., 2012)
	shares to total number of issued shares	
Environmental, social, and governance	ESG Score ranging from 0 to 100	(Atif et al., 2022)
(ESG) disclosure	(percentage)	
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg & Ross, 1981)

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

Source: several empirical research results developed for this study

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

3.3. Method of analysis

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.

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

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The outer model test is used to see the indicators of the latent variables in the study. 353 All indicators of latent variables are reflective, meaning a reflection of each variable. The 354 provision of whether an indicator is a reflection of each variable is based on the loading 355 factor. If the results of the loading factor are > 0.7 then the indicator is a reflection of the 356 variable but if the results of the loading factor range from 0.5 to 0.60, it is considered suf-357 ficient. Model fit involves testing the structural model by paying attention to the parame-358 ter values of the relationships between the variables studied. A hypothesis is declared 359 significant if the p-value < 0.05 (Hair et al., 2016, 2019). 360 The form of the structural equation can be described as follows: 261

orm of the structural equation can be described as follows:		361	
$\mathrm{ESG} = \alpha + \beta_1 \mathrm{FO} + \beta_2 \mathrm{PU} + \beta_3 \mathrm{ST} + \beta_4 \mathrm{FA} + \beta_5 \mathrm{S} + \beta_6 \mathrm{L} + \varepsilon$	[1]	362	
Company performance = $\alpha + \beta_1 ESG * AC + \varepsilon$	[2]	363	
Firm value = $\alpha + \beta_1 ESG * AC + \varepsilon$	[3]	364	
The equation symbol is defined below:		365	
FO = Foreign ownership,			
PU = Public ownership			
ST = State ownership			
FA = Family ownership		369	
S = Size		370	
L = Leverage		371	
ESG = Environmental, social, and governance		372	
AC = Audit committee		373	

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic

Variables	Ν	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 v	alidity	test result
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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. The380reliability and validity of this study are adequate, as the Value of Cronbach's alpha is >381

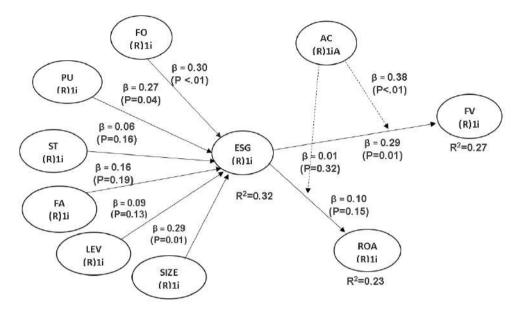
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0.6, and the value for composite reliability is >0.7. The Average Variance Extracted (AVE) 382 value is above 0.5. 383

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

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership \rightarrow ESG	0.30	< 0.01	Accepted
Public ownership \rightarrow ESG	0.27	0.04	Accepted
State ownership \rightarrow ESG	0.06	0.16	Rejected
Family ownership \rightarrow ESG	0.16	0.19	Rejected
$ESG \rightarrow Firm Value$	0.29	0.01	Accepted
$ESG \rightarrow Firm Performance$	0.10	0.15	Rejected
$ESG \rightarrow$ Firm Value \rightarrow Audit committee	0.38	< 0.01	Accepted
$ESG \rightarrow Firm Performance \rightarrow Audit committee$	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, 389 the proposed hypotheses H1, H2, H5, H7 are accepted and have a positive effect. H1 is 390 acceptable because foreign ownership positively affects environmental, social, and 391 governance disclosure (Coefficient = 0.30, p value = < 0.01). For H2, there is a positive 392 association between public ownership and environmental, social, and governance 393 disclosure (Coefficient = 0.27, p-value = 0.04). H5 is approved because environmental, 394 social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value 395 = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 is also accepted and confirming the 396 H7 that Audit committee moderate the relationship between environmental, social, and 397 governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6 and H8 are 398 rejected because p-value is greater than 0.05 399

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impact the envi-401ronmental, social and governance (ESG) disclosure. The results of this study indicate that402foreign ownership has a significant positive effect on the environment, social and govern-403ance (ESG) disclosure. It means that the greater the foreign ownership, the greater the404

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

The second hypothesis (H2) reveals that public ownership effects the environmental, 413 social, and governance (ESG) disclosure. The results of this study indicate that public 414 ownership has a positive and significant effect on the environmental, social, and govern-415 ance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding sup-416 ports previous research by (Khan et al., 2012), concluded that public ownership positively 417 affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the 418 result was not agreed with (Nugraheni et al., 2022). The finding of this study supports 419 legitimacy theory. 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. 427

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

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

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

The seventh hypothesis (H7) states the audit committee moderates the relationship 452 between environmental, social, and governance disclosure and firm value. However, the 453 result research shows that environmental, social, and governance disclosure affects firm 454 value and audit committee moderates this influence. Therefore, the seventh hypothesis is 455 accepted. The audit committee is a moderating variable on Environmental, social, and 456 governance disclosure influences and firm value that strengthen its relationship. 457 The last hypothesis (H8) states that the audit committee moderates the relationship 458 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. 460

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. 468

The results of the analysis from figure 2 and Table 3 show the R Square (R²) value of 469 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 471 by foreign ownership, public ownership, state ownership and family ownership, while 472 0.68 of the variables are influenced by other variables outside the variables that have not 473 been studied in this study. An R² value of more than 0.5 indicates that the model has a good goodness of fit measure (Hair et al., 2019). 475

5. Conclusions

The findings of this study reveal that both foreign and public ownership has a posi-477 tive and significant effect on environmental, social, and governance (ESG) disclosure. For-478 eign ownership plays a role in environmental, social, and governance disclosure because 479 they contribute to the process. This is in line with public ownership, which also plays a 480 role in environmental, social, and governance disclosure. Both state and family ownership 481 does not significantly influence environmental, social, and governance disclosure. Fur-482 thermore, environmental, social, and governance disclosure positively and significantly 483 affect firm value. However, environmental, social, and governance does not significantly 484 affect the firm performance. The audit committee moderates the influence between Envi-485 ronmental, social, and governance disclosure, and firm value. However, the audit com-486 mittee does not play a moderating role in influencing environmental, social, and govern-487 ance (ESG) disclosure and firm performance. Overall, these prompt findings managers 488 pay attention to social operations and good corporate governance that is friendly to the 489 environment. The results are helpful for companies and the government as a regulator 490 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 505 financial services authority (Otoritas Jasa Keuangan-OJK). The government must make 506 stronger environmental, social, and governance regulations that companies must apply, 507 especially those listed on the Indonesia Stock Exchange. However, the company's annual 508 report must disclose information related to Corporate Social Responsibility (CSR) based 509 on the law from financial services authority (Otoritas Jasa Keuangan-OJK). 510

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

Limitations

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

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

Open Review

English language and style

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.

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Comments and Suggestions for Authors

well revised.

Open Review

English language and style

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- (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.

Open Review

English language and style

- 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





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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 5 governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating 6 variables in the Indonesian context. The ownership structures in this study are foreign, public, state, 7 and family ownership. This research is quantitative and uses secondary data. The sample consisted 8 of 140 companies listed on the Indonesia Stock Exchange for the 2018-2020 period. This study used 9 legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares 10 structural equation modeling. The results show that foreign and public ownership positively and 11 significantly affect environmental, social, and governance disclosure. However, state and family 12 ownership did not significantly affect environmental, social, and governance disclosure. In addition, 13 Environmental, social, and governance disclosure positively impacts firm value. However, environ-14 mental, social, and governance disclosure do not affect a company's performance. Audit commit-15 tees moderate the influence of environmental, social, and governance disclosure and firm value. 16 However, the audit committees do not moderate the effect of environmental, social, and governance 17 disclosure and firm performance. The government should make stronger environmental, social and 18 governance regulations that must be implemented by companies listed on the Indonesia Stock Ex-19 change even though they are now voluntary. 20

Keywords:Ownership structure; environmental; social; and governance (ESG) disclosure; firm21value; firm performance; audit committee22

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1. Introduction

Recently, corporate organizations have become more responsible for the environ-25 ment and society. This is due to demands from stakeholders, customers, regulators, com-26 pany shareholders, suppliers, employees, creditors, media, and social, and environmental 27 activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and 28 governance (ESG) analysis has become an essential part of the investment process due to 29 increasing attention to investing in companies' social impact and sustainability (Caporale 30 et al., 2022). Lack of clarity on the disclosure of environmental, social. and governance 31 (ESG) practices can create information gaps for responsible financiers and investors when 32 making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's over-33 all initiatives to stakeholders, including regulators, communities, investors, and employ-34 ees (Atif et al. 2022). 35

Environmental, social, and governance disclosure activity include three main com-36 ponents. The first is the environment, which includes aspects related to pollution, miti-37 gation, and climate change sustainability. The second is social, which refers to how an 38 organization treats its communities, employees, and clients and its responsibility for prod-39 ucts and services, diversity, the fight against corruption, and respect for human rights 40 throughout the supply chain. The last component is governance, which is related to 41 balancing the interests of stakeholders and shareholders and adhering to the best corpo-42 rate governance practices (De Masi et al. 2021). The environmental dimension refers to a 43 company's ability to use natural resources efficiently, thereby reducing environmental 44 emissions. The social dimension promotes ethical values, employees' trust and respect 45

for human rights. Finally, the governance dimension benefits shareholders through the 46 company's management system and effective processes (Dicuonzo et al., 2022). 47

Previous research explained environmental, social and governance (ESG) disclosure 48 (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya 49 and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, 50 social and governance performance (He et al., 2022; Sheehan et al., 2022; Daugaard and 51 Ding, 2022; Wang and Sun, 2022), environmental, social and governance ratings (Zheng 52 et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) environmental, 53 social and governance reporting (Ahmad et al., 2021; Bamahros et al., 2022); environmen-54 tal, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 2022). This study 55 examines the effect of ownership structure which includes foreign, public, state, and fam-56 ily ownership, on environmental, social, and governance disclosure, firm value, firm per-57 formance, and audit committees as moderating variables. The study used a sample of 58 companies listed on the Indonesia Stock exchange. In theory, this research extends legiti-59 macy, stakeholder, and agency theories. Moreover, the current study provides insight into 60 the role of audit committees in companies regarding environmental, social, and govern-61 ance disclosure, firm value, and performance. 62

Our study offers several contributions. First, we contribute to the literature by seek-63 ing to understand ownership structure and environmental, social, and governance disclo-64 sure. As mentioned, ownership structure, consists of foreign, state, family and public 65 ownership. we expand on existing knowledge of environmental, social, and governance 66 disclosure by exploring the contribution of ownership structures to the three components 67 of environmental, social, and governance practices. Second, this study uses and extends 68 legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of envi-69 ronmental, social, and governance disclosure on firm value and firm performance with 70 the audit committee as a moderating variable. 71

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 77 Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and 78transparency with the presence of foreign shareholders in a company. Using legitimacy 79 theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legiti-80 macy gap. Management can disclose environmental, social, and governance elements as 81 a proactive legitimacy strategy that can encourage capital flow from foreign parties and 82 satisfy foreign investors. Legitimacy theory influences and regulates people's goals to 83 obtain rewards and escape from a punished society's actions. Firm disclosure is the result 84 of social values, and the environmental and social disclosure model of legitimacy theory 85 considers stakeholder values when considering any decision (Tilling and Tilt, 2010). 86

Foreign ownership positively was found to affects corporate social responsibility 87 (CSR) disclosure in China from 5.431 observations (Guo and Zheng 2021) and in Bangla-88 desh (Khan et al. 2012). Foreign ownership positively affects environmental sustainability 89 reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and Widagdo, 90 2020). Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observa-91 tions. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian Stock Ex-92 change for the period 2012-2016 as a sample. Foreign ownership positively affects envi-93 ronmental, social, and governance issues (Al Amosh and Khatib, 2021). Al Amosh and 94 Khatib (2021) investigated 51 companies listed on Amman Stock Exchange (ASE) between 95 2012 and 2019 during 408 observations. Baba and Baba (2021) concluded that foreign 96 ownership positively affects social and environmental reporting. Baba and Baba (2021) 97

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used 80 companies listed on the Nigerian Stock Exchange as a sample. The study spanned 98 from 2012–2017. Thus, foreign ownership can improve corporate governance, and max-99 imize stakeholder value by encouraging the disclosure of corporate performance in sus-100 tainability. Foreign investors encourage corporate governance practices, and various dis-101 closures. one related to disclosure is environmental, social, and governance. It means that 102 the more foreign ownership, the more significant impact on the environmental, social, and 103 governance (ESG) disclosure. Companies with foreign ownership are expected to disclose 104 more social and environmental information to assist them in decision making (Khan et al. 105 2012). Furthermore, Guo and Zheng (2021) revealed that under pressure from foreign 106 owners, companies can increase Environmental, Social, and Governance disclosures. This 107 can enhance the company's reputation and support its legitimacy. Thus, foreign owner-108 ship can improve corporate governance and maximize stakeholder value by disclosing 109 non-financial information including environmental, social and governance disclosures. 110 Therefore, the following hypothesis is proposed: 111

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and governance (ESG) disclosure. 113

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). 119

Khan et al. (2012) revealed that companies with public ownership are more likely to120aspire to and achieve community aspirations and legitimacy, which increases their social121responsibility and disclosure.Furthermore, Khlif et al. (2016) emphasized that a compa-ny's board strengthens social and environmental responsibility for the company. Also,123public ownership will pressure corporate accountability, where shareholders want a more124comprehensive disclosure of information (Khan et al., 2012).125

Public ownership positively and significantly affects corporate social responsibility 126 (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing 127 companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. 128 When a company is publicity disclosed, the issue of public accountability become vital. 129 Therefore, publicly owned companies are expected to experience more pressure to dis-130 close additional information because of the visibility and accountability issues that result 131 from the large number of stakeholders (Khan et al., 2012). The company has greater pres-132 sure to disclose additional information to numerous stakeholders or companies that have 133 public ownership of the company. This is also related to the accountability of the com-134 pany, including environmental, social and corporate governance disclosure. This means 135 that the more public ownership there is, the more environmental, social, and governance 136 (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows: 137

Hypothesis 2 (H2). Public ownership positively impacts environmental, social, and governance (ESG) disclosure. 140

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 142 because a government invests in a company to achieve goals and promote development. 143 State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 144 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the 145 government can pressure companies to disclose more social and environmental information, in addition to financial information, to increase social perceptions of companies. 147 State ownership increases corporate accountability, and transparency which can increase 148

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legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transpar-149ent environmental, social and governance. Companies must manage relationship with150stakeholders that influence business decisions. Companies and stakeholders are interde-151pendent (Manita et al., 2018).152

State ownership positively affects environmental, social, and governance (Khlif et al., 153 2016; Al Amosh and Khatib, 2021). State ownership positively and significantly influ-154 ences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and Ali basah 155 (2015) used 72 non-financial companies listed on Amman Stock Exchange in Jordan from 156 2009 to 2013. State ownership plays a decisive role in companies' sustainability disclosure 157 because companies to which the state contributes respond to government strategies 158 aimed at promoting sustainable development, as government pressure appears to be in 159 line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership increases 160 accountability and transparency systems in companies, thereby increasing their legiti-161 macy (Al Amosh and Khatib, 2021). The state ownership of companies can emphasize the 162 disclosure of social and environmental responsibilities. Thus, it is also related to ESG, as 163 it positively affects disclosure, increasing disclosure as state ownership increases. Hence, 164 this study hypothesizes the following: 165

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and governance (ESG) disclosure. 167

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 stakehold-175ers through the good disclosure of non-financial information (Salvato and Melin, 2008).176Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial infor-177mation, in this case Environmental, Social, and Governance, is superior and is expected to178positively influence the perceptions of stakeholders and investors.179

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 186 (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 188 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 190 greater the family ownership, the greater the environmental, social, and governance (ESG) 191 disclosure. Therefore, the following hypothesis is proposed: 192

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and governance (ESG) dis closure. 194

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

Stakeholder theory reveals that board accountability is not only to shareholders but 197 also to other interested parties. Proponents of stakeholder theory argue that this theory 198 colors the corporate portrait by providing social and economic values and ethical and 199

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moral considerations for estimating firm value (Freeman, 1983). Environmental, social 200 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. 204

Environmental, social, and governance disclosure positively influence firm value 205 (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; 206 Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible 207 Value Assessment database and the Vigeo Corporate environmental, social, and govern-208 ance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 209 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. 210 (2018) conducted a study on the level of environmental, social, and governance disclosure 211 and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 212 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research and using 213 1,507 observations from the Egyptian stock market. Kim et al. (2018) used the Korea In-214 vestors Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) re-215 searched 510 environmental, social, and governance scores from 17 countries from 2010 216 to 2018. All of these studies determined that TESG disclosure can increase firm value 217 through increased transparency and accountability, as well as increased stakeholder trust 218 (Li et al., 2018). This means that the greater the environmental, social, and governance 219 (ESG) disclosure, the higher the firm's value. In line with the literature, this study pro-220 poses the following hypothesis: 221

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 226 effect on performance because external shareholders can reward companies that are suc-227 cessful in corporate social responsibility practices. However, the responses do not affect 228 performance when companies have poor performance. In other words, corporate social 229 responsibility costs must be commensurate with the benefits obtained. In addition, com-230 panies with poor corporate social responsibility practices may be penalized by external 231 stakeholders, whose negative opinions of the company can adversely affect the company's 232 performance (Carlos and Lewis, 2018). This study uses return on assets (ROA) to measure 233 the firm performance Previous research measures the firm's performance using ROA 234 (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and 235 Firoz, 2022). The company's performance uses ROA as the main indicator associated 236 with capital invested in operating activities related to the balance sheet (Pulino et al., 237 2022). 238

Environmental, social, and governance disclosure positively influence firm perfor-239 mance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 240 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social 241 and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; 242 Pulino et al., 2022). Environmental, social and governance disclosure positively impacts 243 financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also 244 positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and 245 Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga 246 et al. (2022) conducted a study using a sample 98 firms from French registered compa-247 nies on the SBF 120 index over seven years, from 2012 to 2018, for a total of 686 observa-248 tions. Pavlopoulos et al (2019) conducted research and using 82 companies from 25 coun-249 tries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chi-250nese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies 251 as a sample from 2011 to 2020. They determined that the greater the environmental, 252

social, and governance (ESG) implementation, the higher the firm performance. Therefore, the following hypothesis was developed: 255

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively af-256 fects firm performance. 257

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm 258 value, and firm performance 259

Agency theory (Jensen and Meckling, 1976) identified audits as an essential moni-260 toring tool to reduce information asymmetry, limit opportunistic behavior, and improve 261 environmental, social, and governance disclosure, firm performance, and firm value. Prin-262 cipals use the disclosure of financial and non-financial information to reduce agency costs 263 (i.e., information asymmetry) arising from the separation of ownership and control 264 (Morris, 1987). Companies provide environmental, social, and governance disclosures to 265 reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased 266 environmental, social, and governance disclosure, which represents additional non-finan-267 cial information, improves the information environment and reduces the knowledge bar-268 rier between the company and its shareholders (Kim et al., 2014). 269

The primary responsibility of an audit committee is to oversee the financial and non-270 financial reporting processes and to reduce information asymmetry between managers, 271 stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit 272 committee oversees mandatory and voluntary disclosures related to environmental, so-273 cial, and governance. Audit committee members must understand how environmental, 274 social, and governance risks and opportunities are identified and prioritized, and oversee 275 disclosure practices accordingly (Bamahros et al., 2022). 276

An audit committee handles preparing, presenting, and ensuring the integrity of fi-277 nancial statements, applying accounting principles and financial statements, and per-278 forming internal control under applicable financial accounting standards. The audit com-279 mittee is also responsible for conducting an independent audit of consolidated financial 280 statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit 281 committee's role is to assist the board of directors in overseeing the company's reporting 282 policies and the quality of the company's financial statements. In addition, the audit com-283 mittee can increase investor and stakeholder confidence in the reliability and objectivity 284 of financial statements and provide increased efficiency in corporate governance practices 285 (Bicer and Feneir, 2019). As a result, the study suggested the following hypotheses: 286

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 environ-290 mental, social, and governance (ESG) disclosure and firm performance.

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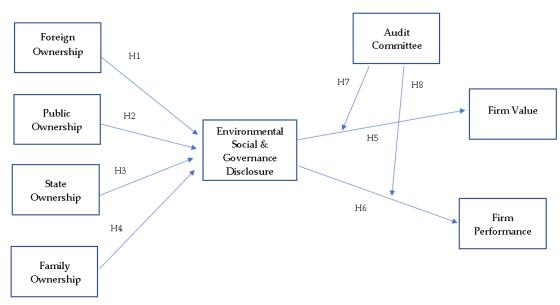


Figure 1. Empirical Research Model

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 299 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 301 many as 140 companies and 700 observations. 302

3.2. The measurement of variables

Table 1. Measurement of research variables	
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Variable	Variable Measurement	
Foreign ownership	Percentage of foreign ownership of	(Al Amosh and Khatib, 2021).
	shares to total number of issued shares.	
Family ownership	Percentage of family ownership of	(Al Amosh and Khatib, 2021).
	shares to total number of issued shares.	
State ownership	Percentage of state ownership of shares	(Al Amosh and Khatib, 2021).
	to total number of issued shares	
Public ownership	Percentage of public ownership of	(Khan et al., 2012)
	shares to total number of issued shares	
Environmental, social, and governance	ESG Score ranging from 0 to 100	(Atif et al., 2022)
(ESG) disclosure	(percentage)	
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg and Ross, 1981)
	where:	
	VMS = market value of all outstanding	
	shares	
	TA = company assets	
	D = Debt	
Firm Performance	ROA = EBIT/TA	(Chan et al., 2019)

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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 commit-	(Nikulin et al., 2022)	
	tee		
Control variables			
Size	Size = the natural logarithm (Total As-	(Aman and Nguyen, 2013)	
	sets)		
Leverage	Leverage = (Long term borrowing +	(Aman and Nguyen, 2013)	
	Short term borrowing): Total		
	Assets		

Source: several empirical research results developed for this study

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

3.3. Method of analysis

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. 320

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

The outer model test was used to determine the indicators of the latent variables in 334 the study. All indicators of latent variables were reflective, meaning a reflection of each 335 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 338

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sufficient. Model fit involves testing the structural model by considering the parameter			
values of the relationships between the variables studied. A hypothesis was declared sig-			
nificant if the p-value < 0.05 (Hair et al., 2016, 2019).		341	
The form of the structural equation can be described as follows:		342	
$ESG = \alpha + \beta_1FO + \beta_2PU + \beta_3ST + \beta_4FA + \beta_5S + \beta_6L + \varepsilon$	[1]	343	
Company performance = $\alpha + \beta_1 ESG * AC + \varepsilon$	[2]	344	
Firm value = $\alpha + \beta_1 ESG * AC + \epsilon$	[3]	345	
The equation symbol is defined below:		346	
FO = foreign ownership,		347	
PU = public ownership		348	
ST = state ownership		349	
FA = family ownership		350	
S = size		351	
L = leverage		352	
ESG = environmental, social, and governance		353	
AC = audit committee		354	
4. Results and Discussion		355	

4. Results and Discussion

Table 2. Descriptive statistic					
Variables	Ν	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 361 of the reliability testing of all variables in this study. The reliability and validity of this 362 study are adequate, as the value of Cronbach's alpha was > 0.6, and the value for compo-363 site reliability was > 0.7. The average variance extracted (AVE) value was above 0.5. 364

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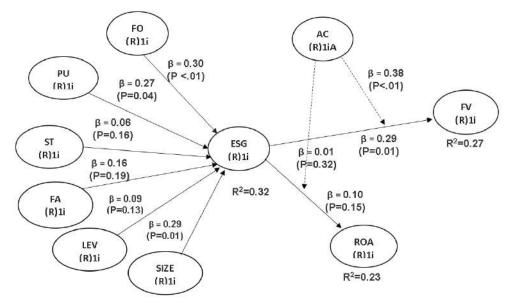


Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership \rightarrow ESG	0.30	< 0.01	Accepted
Public ownership \rightarrow ESG	0.27	0.04	Accepted
State ownership \rightarrow ESG	0.06	0.16	Rejected
Family ownership \rightarrow ESG	0.16	0.19	Rejected
$ESG \rightarrow Firm Value$	0.29	0.01	Accepted
$ESG \rightarrow Firm Performance$	0.10	0.15	Rejected
$ESG \rightarrow Firm Value \rightarrow Audit committee$	0.38	< 0.01	Accepted
$ESG \rightarrow Firm Performance \rightarrow Audit committee$	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 370 positive, the proposed hypotheses H1, H2, H5, H7 were accepted and had a positive effect. 371 H1 was acceptable because foreign ownership positively affects environmental, social, 372 and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a 373 positive association between public ownership and environmental, social, and 374 governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because 375 environmental, social, and governance disclosure positively affects firm value (Coefficient 376 = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted 377 and confirming the H7 that Audit committee moderate the relationship between 378 environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses 379 H3, H4, H6 and H8 were rejected because p-value was greater than 0.05. 380

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 388

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disclosure. (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 2018; 389 Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021) However, 390 this finding is not in line with previous research that revealed foreign ownership has a 391 negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan 392 et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do 393 not support the study by Yu and Luu (2021) which concluded that foreign ownership did 394 not impact ESG disclosure. This study supports the legitimacy theory. 395

The second hypothesis (H2) reveals that public ownership affects the environmental, 396 social, and governance (ESG) disclosure. The results of this study indicate that public 397 ownership has a positive and significant effect on the environmental, social, and govern-398 ance (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding sup-399 ports previous research by (Khan et al., 2012) that concluded that public ownership posi-400 tively affects corporate social responsibility disclosure (Khan et al., 2012). On the other 401 hand, the result was not agree with Nugraheni et al. (2022) who concluded that public 402 ownership does not impact corporate social responsibility disclosure. The finding of this 403 study supports legitimacy theory. 404

The third hypothesis (H3) reveals that state ownership positively influences environ-405 mental, social, and governance (ESG) disclosure. However, the result research shows that 406 state ownership does not impact environmental, social, and governance disclosure. 407 Therefore, the third hypothesis was rejected. This finding does not support previous study 408 from Khlif et al. (2016);Al Amosh and Khatib (2021) who concluded that state ownership 409 has a significant positive effect the environmental, social, and governance disclosure. Fur-410 thermore, this result not inline study from Al-Janadi et al. (2016) who concluded that state 411 ownership negatively impacts voluntary disclosure. This finding does not support stake-412 holder theory. 413

The fourth hypothesis (H4) states that family ownership positively affects environ-414 mental, social, and governance (ESG) disclosure. The result of this study is not supported. 415 The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership 416 does not affect environmental, social, and governance disclosure. This result is in line with 417 previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and 418 Rodionova 2014), which shows insignificant results. In addition, family ownership does 419 not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018), or not influence 420 corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and Rodionova 421 (2014) found that family ownership negatively affects the quality of sustainability reports. 422 This study does not support stakeholder theory. 423

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) 424 disclosure positively affects firm value. The result of this study shows that environmental, 425 social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was 426 supported. This means that the higher the environmental, social, and governance (ESG) 427 disclosure, the higher the firm value. This result supports the previous research (Ferrell et 428 al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 429 2018) concluded that environmental, social, and governance disclosure positively and sig-430 nificantly affects firm value. However, this finding does not agree with previous studies 431 by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, 432 and governance disclosure did not influence firm value. The finding of this study supports 433 stakeholder theory. 434

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) 435 disclosure positively affects firm performance. The data analysis for hypothesis 6 from the 436 Figure 2 and Table 4 shows that environmental, social, and governance disclosure does 437 not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding 438 does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar 439 and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmen-440 tal, social, and governance disclosure effects have significant positive on firm perfor-441 mance. Furthermore, this result not agree with (Buallay, 2019; Duque-Grisales and 442 Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) concluded that environ-443mental, social, and governance disclosure negatively impact the firm performance. This444finding does not support stakeholder theory.445

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. 446

The last hypothesis (H8) states that the audit committee moderates the relationship 453 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, 456 and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship. 458

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. 463

The analysis results from figure 2 and Table 4 show the R Square (R²) value of 0.32 464 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 466 by foreign ownership, public ownership, state ownership and family ownership, while 467 0.68 of the variables are influenced by other variables outside the variables that have not 468 been studied in this study. An R² value of more than 0.5 indicates that the model has a 469 good goodness of fit measure (Hair et al., 2019). 470

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a pos-473 itive and significant effect on environmental, social, and governance (ESG) disclosure. 474 Foreign ownership plays a role in environmental, social, and governance disclosure be-475 cause it contribute to the process. This is in line with public ownership, which also plays 476 a role in environmental, social, and governance disclosure. Neither state nor family own-477 ership significantly influence environmental, social, and governance disclosure. Further-478 more, environmental, social, and governance disclosure positively and significantly affect 479 firm value. However, environmental, social, and governance disclosure do not signifi-480 cantly affect the firm performance. The audit committee moderates the influence between 481 environmental, social, and governance disclosure, and firm value. However, the audit 482 committee do not play a moderating role in influencing environmental, social, and gov-483 ernance (ESG) disclosure and firm performance. Overall, these findings prompt manag-484ers to pay attention to social operations and good corporate governance that is environ-485 mentally friendly. The results are helpful for companies and the government as a regula-486 tor who can convince companies to adopt environmental, social, and governance disclo-487 sure. 488

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.

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Second, implications for managers and companies should be more transparent re-496 garding environmental, social, and governance disclosure. Environmental, social, and 497 governance disclosure can enhance competitive advantage and create value for compa-498 nies that disclose sustainability-related strategic information. Companies can also use re-499 sources related to environmental, social, and governance practices with an efficient and 500 economical approach. 501

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, 504 especially those listed on the Indonesia Stock Exchange. However, a company's annual 505 report must disclose information related to corporate social responsibility (CSR) based on 506 the law from financial services authority (Otoritas Jasa Keuangan-OJK).

Fourth, investors can more accurately assess the company's environmental, social, 508 and governance disclosure. As a result, investors have a significant role in supporting 509 companies in increasing transparency, and disclosure, and ultimately improving their re-510 porting standards. We also believe that environmental, social, and governance disclosure 511 can persuade investors to invest in a company. 512

Limitations

This study has several limitations. The first limitation is related to weak secondary 515 data. Suggestions for further researchers would be to conduct research by obtaining pri-516 mary data. In addition, future researchers should conduct a qualitative study with inter-517 views with companies that have disclosed environmental, social, and governance infor-518 mation. The second limitation is that the factors affecting environmental, social, and gov-519 ernance disclosure in this study focus only on the ownership structure, including foreign, 520 public, state and family ownership. Further research could use other variables, such as 521 corporate social responsibility, profitability, board independence, and corporate govern-522 ance. The third limitation of this research is related to the use three theories: legitimacy, 523 stakeholder, and agency theory. Future research could use different perspectives by using 524 different theories. The last limitation is that we use financial measurement, Return on As-525 sets (ROA), to measure the firm performance. Future researchers can use non-financial 526 measurements, such as global economic policy uncertainty, political risk, governance 527 quality, etc. Athari (2021) showed empirical results that external governance mechanisms 528 and their dimensions, particularly political stability, regulatory quality, rule of law, and 529 corruption control have a positive impact on the profitability of Islamic banks. Further-530 more, the results of this study showed that increasing the dimensions of external govern-531 ance, especially political stability, regulatory quality, rule of law, and controlling corrup-532 tion increases the profitability of Islamic banks (Athari and Bahreini, 2021). 533

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REVIEWER 1

 (x) I would not like to sign my review report () I would like to sign my review report () 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 			English la	nguage 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 a				ions for Authors

Open Review

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

() I would not like to sign my review report

(x) I would like to sign my review report

() 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

Does the introduction provide sufficient background and include all relevant

Are all the cited references relevant to the research?

Is the research design appropriate?

Are the results clearly presented?

Are the methods adequately described?

Are the conclusions supported by the results?

references?

Yes	Can be improved	Must be improved	Not applicable
(x)	()	()	()
(x)	()	()	()
(x)	()	()	()
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(x)	()	()	()

Comments and Suggestions for Authors

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

Open Review

English language and style

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.





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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 5 governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating 6 variables in the Indonesian context. The ownership structures in this study are foreign, public, state, 7 and family ownership. This research is quantitative and uses secondary data. The sample consisted 8 of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legiti-9 macy, stakeholder, and agency theory. The analytical method used was partial least squares struc-10 tural equation modeling. The results show that foreign and public ownership positively and signif-11 icantly affect environmental, social, and governance disclosure. However, state and family owner-12 ship did not significantly affect environmental, social, and governance disclosure. In addition, En-13 vironmental, social, and governance disclosure positively impacts firm value. However, environ-14 mental, social, and governance disclosure do not affect a company's performance. Audit commit-15 tees moderate the influence of environmental, social, and governance disclosure and firm value. 16 However, the audit committees do not moderate the effect of environmental, social, and governance 17 disclosure and firm performance. The government should make stronger environmental, social, and 18 governance regulations that must be implemented by companies listed on the Indonesia Stock Ex-19 change even though they are now voluntary. 20

Keywords:Ownership structure; environmental; social; and governance (ESG) disclosure; firm21value; firm performance; audit committee22

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1. Introduction

Recently, corporate organizations have become more responsible for the environ-25 ment and society. This is due to demands from stakeholders, customers, regulators, com-26 pany shareholders, suppliers, employees, creditors, media, and social, and environmental 27 activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and 28 governance (ESG) analysis has become an essential part of the investment process due to 29 increasing attention to investing in companies' social impact and sustainability (Caporale 30 et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance 31 (ESG) practices can create information gaps for responsible financiers and investors when 32 making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's over-33 all initiatives to stakeholders, including regulators, communities, investors, and employ-34 ees (Atif et al. 2022). 35

Environmental, social, and governance disclosure activity include three main com-36 ponents. The first is the environment, which includes aspects related to pollution, miti-37 gation, and climate change sustainability. The second is social, which refers to how an 38 organization treats its communities, employees, and clients and its responsibility for prod-39 ucts and services, diversity, the fight against corruption, and respect for human rights 40 throughout the supply chain. The last component is governance, which is related to 41 balancing the interests of stakeholders and shareholders and adhering to the best corpo-42 rate governance practices (De Masi et al. 2021). The environmental dimension refers to a 43 company's ability to use natural resources efficiently, thereby reducing environmental 44 emissions. The social dimension promotes ethical values, employees' trust and respect 45

for human rights. Finally, the governance dimension benefits shareholders through the 46 company's management system and effective processes (Dicuonzo et al., 2022). 47

Previous research explained environmental, social, and governance (ESG) disclosure 48 (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya 49 and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, 50 social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 51 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and govern-52 ance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) 53 environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 54 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 55 2022). This study examines the effect of ownership structure which includes foreign, pub-56 lic, state, and family ownership, on environmental, social, and governance disclosure, firm 57 value, firm performance, and audit committees as moderating variables. The study used 58 a sample of companies listed on the Indonesia Stock exchange. In theory, this research 59 extends legitimacy, stakeholder, and agency theories. Moreover, the current study pro-60 vides insight into the role of audit committees in companies regarding environmental, 61 social, and governance disclosure, firm value, and performance. 62

Our study offers several contributions. First, we contribute to the literature by seek-63 ing to understand ownership structure and environmental, social, and governance disclo-64 sure. As mentioned, the ownership structure consists of foreign, state, family and public 65 ownership. we expand on existing knowledge of environmental, social, and governance 66 disclosure by exploring the contribution of ownership structures to the three components 67 of environmental, social, and governance practices. Second, this study uses and extends 68 legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of envi-69 ronmental, social, and governance disclosure on firm value and firm performance with 70 the audit committee as a moderating variable. 71

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 77 Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and 78transparency with the presence of foreign shareholders in a company. Using legitimacy 79 theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legiti-80 macy gap. Management can disclose environmental, social, and governance elements as 81 a proactive legitimacy strategy that can encourage capital flow from foreign parties and 82 satisfy foreign investors. Legitimacy theory influences and regulates people's goals to 83 obtain rewards and escape from a punished society's actions. Firm disclosure results from 84 social values, and the legitimacy theory's environmental and social disclosure model con-85 siders stakeholder values when considering any decision (Tilling and Tilt, 2010). 86

Foreign ownership positively affects environmental, social, and governance disclo-87 sure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affects cor-88 porate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and 89 in Bangladesh (Khan et al. 2012). Foreign ownership positively affects environmental sus-90 tainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; Amidjaya and 91 Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership positively affects 92 social and environmental reporting. Al Amosh and Khatib (2021) investigated 51 compa-93 nies listed on Amman Stock Exchange (ASE) between 2012 and 2019 during 408 observa-94 tions. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 326 observations. 95 Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian Stock Exchange 96

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for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies listed on the Nige-97 rian Stock Exchange as a sample from 2012–2017. 98

Thus, foreign ownership can improve corporate governance, and maximize stake-99 holder value by encouraging the disclosure of corporate performance in sustainability. 100 Foreign investors encourage corporate governance practices, and various disclosures. one 101 related to disclosure is environmental, social, and governance. It means that the more for-102 eign ownership, the more significant impact on the environmental, social, and governance 103 (ESG) disclosure. Companies with foreign ownership are expected to disclose more social 104 and environmental information to assist them in decision making (Khan et al. 2012). Fur-105 thermore, Guo and Zheng (2021) revealed that that companies could increase environ-106 mental, social, and governance disclosures under pressure from foreign owners.. This can 107 enhance the company's reputation and support its legitimacy. Thus, foreign ownership 108can improve corporate governance and maximize stakeholder value by disclosing non-109 financial information including, environmental, social, and governance disclosures. 110 Therefore, the following hypothesis is proposed: 111

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and gov-113 ernance (ESG) disclosure. 114

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 116 individual or community investor. Legitimacy theory reveals that managers attempt to 117 meet society's expectations through communication to conform to societal norms and se-118cure the legitimacy of business behavior (Suchman, 1995). 119

Khan et al. (2012) revealed that companies with public ownership are more likely to 120 aspire to and achieve community aspirations and legitimacy, which increases their social 121 responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a compa-122 ny's board strengthens social and environmental responsibility for the company. Also, 123 public ownership will pressure corporate accountability, where shareholders want a more 124 comprehensive disclosure of information (Khan et al., 2012). 125

Public ownership positively and significantly affects corporate social responsibility 126 (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing 127 companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. 128 When a company discloses publicity, the issue of public accountability becomes vital. 129 Therefore, publicly owned companies are expected to experience more pressure to dis-130 close additional information because of the visibility and accountability issues that result 131 from the large number of stakeholders (Khan et al., 2012). The company has more signifi-132 cant pressure to disclose additional information to numerous stakeholders or companies 133 that have public ownership of the company. This is also related to the accountability of 134 the company, including environmental, social and corporate governance disclosure. This 135 means that the more public ownership there is, the more environmental, social, and gov-136 ernance (ESG) is disclosed in the company. Thus, the proposed hypothesis is as follows: 137

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 com-142 pany. This is because the government invest in companies to achieve goals dan promote 143 development. State ownership positively affects sustainability reporting (Rudyanto, 2017; 144 Kumar et al., 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which sug-145 gests that the government can pressure companies to disclose more social and environ-146 mental information, in addition to financial information, to increase social perceptions of 147

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companies. State ownership increases corporate accountability and transparency, which 148 can increase legitimacy (Monk, 2009). Stakeholder theory reveals companies' motivation 149 for transparent environmental, social, and governance. Companies must manage the re-150 lationship with stakeholders that influence business decisions. Companies and stakehold-151 ers are interdependent (Manita et al., 2018). 152

State ownership positively affects environmental, social, and governance disclosure 153 (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and signifi-154 cantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and 155 Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in 156 Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainabil-157 ity disclosure because companies to which the state contributes respond to government 158 strategies aimed at promoting sustainable development, as government pressure appears 159 to be in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership 160 increases accountability and transparency systems in companies, thereby increasing their 161 legitimacy (Al Amosh and Khatib, 2021). The state ownership of companies can emphasize 162 the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, 163 as it positively affects disclosure, increasing disclosure as state ownership increases. 164 Hence, this study hypothesizes the following: 165

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 170 respond more to the external environment and its needs. Stakeholders perceive social re-171 sponsibility as positively impacting a company's future performance and conclude that 172 higher social responsibility reduces the company's sensitivity to adverse shocks that may 173 negatively impact the company (Bouslah et al., 2013). 174

Family companies manage strong relationships with external and internal stakeholders through the good disclosure of non-financial information (Salvato and Melin, 2008). 176 Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial infor-177 mation, in this case, environmental, social, and governance, is superior and is expected to 178 positively influence the perceptions of stakeholders and investors. 179

Stakeholder theory can be described with ethical and management aspects, especially 180 economics (Deegan, 2013). From a management point of view, it is assumed that the com-181 pany should be responsible for the stakeholders who can influence the economic impact 182 on the organization (O'Dwyer, 2003). From the ethical dimension, all stakeholders have 183 the right to know the social and environmental consequences of a company's opera-184 tions(Deegan, 2013). 185

Family ownership positively and significantly affects sustainability reporting 186 (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to pro-187 tect their families' image and reputation. A good reputation in the minds of stakeholder 188 is important to protect family assets (Amidjaya and Widagdo, 2020). Thus, family ownership can improve the disclosure of environmental, social, and governance issues. This 190 means that the greater the family ownership, the greater the environmental, social, and 191 governance (ESG) disclosure. Therefore, the following hypothesis is proposed: 192

Hypothesis 4 (H4). Family ownership positively affects environmental, social, and gov-194 ernance (ESG) disclosure. 195

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

Stakeholder theory reveals that board accountability is not only to shareholders but 197 also to other interested parties. Proponents of stakeholder theory argue that this theory 198

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colors the corporate portrait by providing social and economic values and ethical and 199 moral considerations for estimating firm value (Freeman, 1983). Environmental, social, 200 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. 204

Environmental, social, and governance disclosure positively influence firm value 205 (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; 206 Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible 207 Value Assessment database and the Vigeo Corporate environmental, social, and govern-208 ance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 209 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. 210 (2018) conducted a study on the level of environmental, social, and governance disclosure 211 and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 212 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 213 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors 214 Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 215 environmental, social, and governance scores from 17 countries from 2010 to 2018. All of 216 these studies determined that TESG disclosure can increase firm value through increased 217 transparency and accountability, as well as increased stakeholder trust (Li et al., 2018). 218 This means that the greater the environmental, social, and governance (ESG) disclosure, 219 the higher the firm's value. In line with the literature, this study proposes the following 220 hypothesis: 221

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 226 effect on performance because external shareholders can reward companies that are suc-227 cessful in corporate social responsibility practices, but their responses do not affect per-228 formance when companies' performance poorly. In other words, corporate social respon-229 sibility costs must be commensurate with the benefits obtained. However, companies with 230 poor corporate social responsibility practices may be penalized by external stakeholders, 231 whose negative opinions of the company can adversely affect the company's performance 232 (Carlos and Lewis, 2018). This study is similar to the previous research measures the firm's 233 performance using ROA (Alareeni and Hamdan, 2020; Pulino et al., 2022; Saini and 234 Singhania, 2019; Kumar and Firoz, 2022). The company's performance uses ROA as the 235 primary indicator associated with capital invested in operating activities related to the 236 balance sheet (Pulino et al., 2022). 237

Environmental, social, and governance disclosure positively influence firm perfor-238 mance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 239 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social 240 and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; 241 Pulino et al., 2022). Environmental, social and governance disclosure positively impacts 242 financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also 243 positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and 244 Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga 245 et al. (2022) conducted a study using a sample 98 firms from French registered compa-246 nies on the SBF 120 index over seven years, from 2012 to 2018, for a total of 686 observa-247 tions. Pavlopoulos et al (2019) conducted research and using 82 companies from 25 coun-248 tries. Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chi-249 nese stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies 250 as a sample from 2011 to 2020. They determined that the greater the environmental, 251

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fore, the following hypothesis was developed: 253 254

social, and governance (ESG) implementation, the higher the firm performance. There-

Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively affect firm performance. 256

2.7. Audit committee moderation of Environmental social and governance (ESG) disclosure, firm value, and firm performance 258

Agency theory (Jensen and Meckling, 1976) identified audits as an essential moni-259 toring tool to reduce information asymmetry, limit opportunistic behavior, and improve 260 environmental, social, and governance disclosure, firm performance, and firm value. Prin-261 cipals use the disclosure of financial and non-financial information to reduce agency costs 262 (i.e., information asymmetry) arising from the separation of ownership and control 263 (Morris, 1987). Companies provide environmental, social, and governance disclosures to 264 reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased 265 environmental, social, and governance disclosure, which represents additional non-finan-266 cial information, improves the information environment and reduces the knowledge bar-267 rier between the company and its shareholders (Kim et al., 2014). 268

The primary responsibility of an audit committee is to oversee the financial and nonfinancial 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). 275

An audit committee handles preparing, presenting, and ensuring the integrity of fi-276 nancial statements, applying accounting principles and financial statements, and per-277 forming internal control under applicable financial accounting standards. The audit com-278 mittee is also responsible for conducting an independent audit of consolidated financial 279 statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit 280 committee's role is to assist the board of directors in overseeing the company's reporting 281 policies and the quality of the company's financial statements. In addition, the audit com-282 mittee can increase investor and stakeholder confidence in the reliability and objectivity 283 of financial statements and provide increased efficiency in corporate governance practices 284 (Bicer and Feneir, 2019). As a result, the study suggested the following hypotheses: 285

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.

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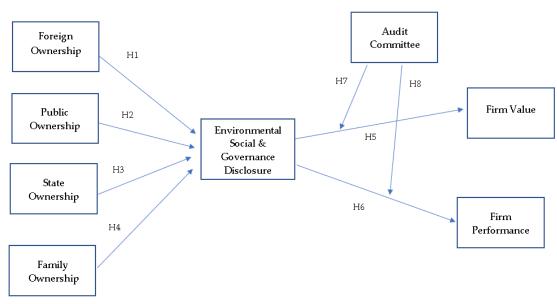


Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock 297 Exchange for each sector. In addition, this research uses secondary data from annual, 298 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 300 2016-2020, with as many as 140 companies and 700 observations. 301

3.2. The measurement of variables

Table 1. Measurement of research variables			
Variable	Measurement	Sources	
Foreign ownership	Percentage of foreign ownership of	(Al Amosh and Khatib, 2021).	
	shares to the total number of issued		
	shares.		
Family ownership	Percentage of family ownership of	(Al Amosh and Khatib, 2021).	
	shares to the total number of issued		
	shares.		
State ownership	Percentage of state ownership of shares	(Al Amosh and Khatib, 2021).	
	to the total number of issued shares		
Public ownership	Percentage of public ownership of	(Khan et al., 2012)	
	shares to the total number of issued		
	shares		
Environmental, social, and governance	ESG Score ranging from 0 to 100	(GRI, 2013)	
(ESG) disclosure	(percentage)		
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg and Ross, 1981)	
	Where:		
	VMS = market value of all outstanding		

shares

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Variable

Sources	

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

Measurement

TA = company assets

Source: several empirical research results developed for this study

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

3.3. Method of analysis

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

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

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

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variable, but if the results of the loading factor range from 0.5 to sufficient. Model fit involves testing the structural model by con values of the relationships between the variables studied. A hypot nificant if the p-value < 0.05 (Hair et al., 2016, 2019).	sidering the parameter	334 335 336 337
The form of the structural equation can be described as follows:		338
$\mathrm{ESG} = \alpha + \beta_1 \mathrm{FO} + \beta_2 \mathrm{PU} + \beta_3 \mathrm{ST} + \beta_4 \mathrm{FA} + \beta_5 \mathrm{S} + \beta_6 \mathrm{L} + \varepsilon$	[1]	339
Company performance = $\alpha + \beta_1 ESG * AC + \varepsilon$	[2]	340
Firm value = $\alpha + \beta_1 ESG * AC + \varepsilon$	[3]	341
The equation symbol is defined below:		342
FO = foreign ownership,		343
PU = public ownership		344
ST = state ownership		345
FA = family ownership		346
S = size		347
L = leverage		348
ESG = environmental, social, and governance disclosure		349
AC = audit committee		350

4. Results and Discussion

4.1.	Results
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Table 2. Descriptive statistic					
Variables	Ν	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 the357reliability testing of all variables in this study. The reliability and validity of this study are358adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliability359ity was > 0.7. The average variance extracted (AVE) value was above 0.5.360

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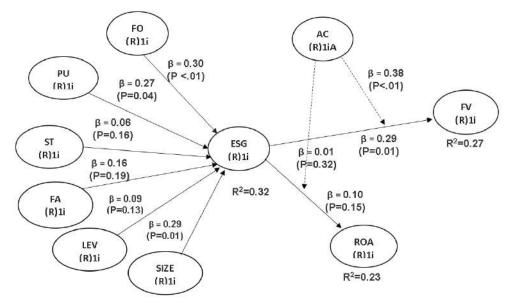


Figure 2. The result of Partial Least Square (PLS)

Table 4. Path Coefficient

Hypotheses	Coefficient	p Value	Result
Foreign ownership \rightarrow ESG	0.30	< 0.01	Accepted
Public ownership \rightarrow ESG	0.27	0.04	Accepted
State ownership \rightarrow ESG	0.06	0.16	Rejected
Family ownership \rightarrow ESG	0.16	0.19	Rejected
$ESG \rightarrow Firm Value$	0.29	0.01	Accepted
$ESG \rightarrow Firm Performance$	0.10	0.15	Rejected
$ESG \rightarrow Firm Value \rightarrow Audit committee$	0.38	< 0.01	Accepted
$ESG \rightarrow Firm Performance \rightarrow Audit committee$	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. 366 The proposed hypotheses H1, H2, H5, H7 were accepted and had a positive effect. H1 was 367 acceptable because foreign ownership positively affects environmental, social, and 368 governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a positive 369 association between public ownership and environmental, social, and governance 370 disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because environmental, 371 social, and governance disclosure positively affects firm value (Coefficient = 0.29, p-value 372 = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted and confirmed 373 the H7 that audit committee moderates the relationship between environmental, social, 374 and governance disclosure and firm value. Meanwhile, Hypotheses H3, H4, H6, and H8 375 were rejected because the p-value was greater than 0.05. 376

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 384

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ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 385 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. 391

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

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

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

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

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) 431 disclosure positively affects firm performance. The data analysis for hypothesis 6 from the 432 Figure 2 and Table 4 shows that environmental, social, and governance disclosure does 433 not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding 434 does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar 435 and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmen-436 tal, social, and governance disclosure effects have significant positive on firm perfor-437 mance. Furthermore, this result also does not support the previous research (Buallay, 438 2019; Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al.,4392022) concluded that environmental, social, and governance disclosure negatively impacts440the firm performance. This finding does not support stakeholder theory.441

The seventh hypothesis (H7) states that audit committees moderate the relationship 442 between environmental, social, and governance disclosure and firm value. However, the 443 result research shows that environmental, social, and governance disclosure affects firm 444 value, and the audit committee moderates this influence. Therefore, the seventh hypoth-445 esis was accepted. The audit committee is a moderating variable on Environmental, social, 446 and governance disclosure influences and firm values that strengthen its relationship. 447 This finding supports agency theory. 448

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. 459

The analysis results from figure 2 and Table 4 show the R Square (R^2) value of 0.32 460 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm 461 performance. This means that 0.32 of the environmental, social, and governance are influenced by foreign ownership, public ownership, state ownership, and family ownership, 463 while 0.68 of the variables are influenced by other variables outside the variables that have 464 not been studied in this study. An R^2 value of more than 0.5 indicates that the model has 465 good goodness of fit measure (Hair et al., 2019). 460

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a pos-469 itive and significant effect on environmental, social, and governance (ESG) disclosure. 470 Foreign ownership plays a role in environmental, social, and governance disclosure be-471 cause it contributes to the process. This is in line with public ownership, which also plays 472 a role in environmental, social, and governance disclosure. Neither state nor family own-473 ership significantly influences environmental, social, and governance disclosure. Further-474 more, environmental, social, and governance disclosure positively and significantly affect 475 firm value. However, environmental, social, and governance disclosure do not signifi-476 cantly affect the firm performance. The audit committee moderates the influence between 477 environmental, social, and governance disclosure, and firm value. However, the audit 478 committee does not play a moderating role in influencing environmental, social, and gov-479 ernance (ESG) disclosure and firm performance. Overall, these findings prompt manag-480 ers to pay attention to social operations and good corporate governance that is environ-481 mentally friendly. The results are helpful for companies and the government as a regula-482 tor who can convince companies to adopt environmental, social, and governance disclo-483 sure. 484

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.

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Second, implications for managers and companies should be more transparent re-492 garding environmental, social, and governance disclosure. Environmental, social, and 493 governance disclosure can enhance competitive advantage and create value for compa-494 nies that disclose sustainability-related strategic information. Companies can also use re-495 sources related to environmental, social, and governance practices with an efficient and 496 economical approach.

Third, the implication for the government as a regulator in Indonesia, involves the 498 financial services authority (Otoritas Jasa Keuangan-OJK). The government must create 499 stronger environmental, social, and governance regulations that companies must apply, 500 especially those listed on the Indonesia Stock Exchange. However, a company's annual 501 report must disclose information related to corporate social responsibility (CSR) based on 502 the law from the financial services authority (Otoritas Jasa Keuangan-OJK). 503

Fourth, investors can assess the company's environmental, social, and governance disclosure more accurately. As a result, investors have a significant role in supporting 505 companies in increasing transparency and disclosure and ultimately improving their re-506 porting standards. We also believe that environmental, social, and governance disclosure 507 can persuade investors to invest in a company. 508

Limitations

This study has several limitations. The first limitation is related to weak secondary 511 data. Suggestions for further research would be to conduct research by obtaining primary 512 data. In addition, future researchers should conduct a qualitative study with interviews 513 with companies that have disclosed environmental, social, and governance information. 514 The second limitation is that the factors affecting environmental, social, and governance 515 disclosure in this study focus only on the ownership structure, including foreign, public, 516 state, and family ownership. Further research could use other variables, such as corporate 517 social responsibility, profitability, board independence, and corporate governance. The 518 third limitation of this research is related to the use of three theories: legitimacy, stake-519 holder, and agency theory. Future research could use different perspectives by using dif-520 ferent theories. The last limitation is that we use financial measurement, Return on Assets 521 (ROA), to measure the firm performance. Future researchers can use non-financial meas-522 urements, such as global economic policy uncertainty, political risk, governance quality, 523 etc. Athari (2021) showed empirical results that external governance mechanisms and 524 their dimensions, particularly political stability, regulatory quality, the rule of law, and 525 corruption control, have a positive impact on the profitability of Islamic banks. Further-526 more, the results of this study showed that increasing the dimensions of external govern-527 ance, especially political stability, regulatory quality, the rule of law, and controlling cor-528 ruption, increase the profitability of Islamic banks (Athari and Bahreini, 2021). 529

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REVIEWER 1

(x)	I would not	like to sign	my review r	eport
• •		\mathcal{O}	2	1

- () I would like to sign my review report
- () 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				

Comments and Suggestions for Authors

Musch ha

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.

Open Review

English language and style

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.





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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 5 governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating 6 variables in the Indonesian context. The ownership structures in this study are foreign, public, state, 7 and family ownership. This research is quantitative and uses secondary data. The sample consisted 8 of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legiti-9 macy, stakeholder, and agency theory. The analytical method used was partial least squares struc-10 tural equation modeling. The results show that foreign and public ownership positively and signif-11 icantly affect environmental, social, and governance disclosure. However, state and family owner-12 ship did not significantly affect environmental, social, and governance disclosure. In addition, En-13 vironmental, social, and governance disclosure positively impacts firm value. However, environ-14 mental, social, and governance disclosure do not affect a company's performance. Audit commit-15 tees moderate the influence of environmental, social, and governance disclosure and firm value. 16 However, the audit committees do not moderate the effect of environmental, social, and governance 17 disclosure and firm performance. The government should make stronger environmental, social, and 18 governance regulations that must be implemented by companies listed on the Indonesia Stock Ex-19 change even though they are now voluntary. 20

Keywords:Ownership structure; environmental; social; and governance (ESG) disclosure; firm21value; firm performance; audit committee22

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1. Introduction

Recently, corporate organizations have become more responsible for the environ-25 ment and society. This is due to demands from stakeholders, customers, regulators, com-26 pany shareholders, suppliers, employees, creditors, media, and social and environmental 27 activist groups (Maama and Appiah 2019; Sajjad et al. 2019). Environmental, social, and 28 governance (ESG) analysis has become an essential part of the investment process due to 29 increasing attention to investing in companies' social impact and sustainability (Caporale 30 et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance 31 (ESG) practices can create information gaps for responsible financiers and investors when 32 making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's over-33 all initiatives to stakeholders, including regulators, communities, investors, and employ-34 ees (Atif et al. 2022). 35

Environmental, social, and governance disclosure activity include three main com-36 ponents. The first is the environment, which includes aspects related to pollution, miti-37 gation, and climate change sustainability. The second is social, which refers to how an 38 organization treats its communities, employees, and clients and its responsibility for prod-39 ucts and services, diversity, the fight against corruption, and respect for human rights 40 throughout the supply chain. The last component is governance, which is related to bal-41 ancing the interests of stakeholders and shareholders and adhering to the best corporate 42 governance practices (De Masi et al. 2021). The environmental dimension refers to a com-43 pany's ability to use natural resources efficiently, thereby reducing environmental emis-44 sions. The social dimension promotes ethical values, employees' trust and respect for 45

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human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022). 47

Previous research explained environmental, social, and governance (ESG) disclosure 48 (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya 49 and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, 50 social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 51 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and govern-52 ance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) 53 environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 54 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 55 2022). This study examines the effect of ownership structure which includes foreign, pub-56 lic, state, and family ownership, on environmental, social, and governance disclosure, firm 57 value, firm performance, and audit committees as moderating variables. The study used 58 a sample of companies listed on the Indonesia Stock exchange. In theory, this research 59 extends legitimacy, stakeholder, and agency theories. Moreover, the current study pro-60 vides insight into the role of audit committees in companies regarding environmental, 61 social, and governance disclosure, firm value, and performance. 62

Our study offers several contributions. First, we contribute to the literature by seek-63 ing to understand ownership structure and environmental, social, and governance disclo-64 sure. As mentioned, the ownership structure consists of foreign, state, family and public 65 ownership. we expand on existing knowledge of environmental, social, and governance 66 disclosure by exploring the contribution of ownership structures to the three components 67 of environmental, social, and governance practices. Second, this study uses and extends 68 legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of envi-69 ronmental, social, and governance disclosure on firm value and firm performance with 70 the audit committee as a moderating variable. 71

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 77 Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and 78 transparency with the presence of foreign shareholders in a company. Using legitimacy 79 theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legiti-80 macy gap. Management can disclose environmental, social, and governance elements as 81 a proactive legitimacy strategy that can encourage capital flow from foreign parties and 82 satisfy foreign investors. Legitimacy theory influences and regulates people's goals to 83 obtain rewards and escape a punished society's actions. Firm disclosure results from social 84 values, and the legitimacy theory's environmental and social disclosure model considers 85 stakeholder values when considering any decision (Tilling and Tilt, 2010). 86

Foreign ownership positively affects environmental, social, and governance disclo-87 sure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affect cor-88 porate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and 89 in Bangladesh (Khan et al. 2012). In addition, foreign ownership positively affects envi-90 ronmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; 91 Amidjaya and Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership 92 positively affects social and environmental reporting. Al Amosh and Khatib (2021) inves-93 tigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 dur-94 ing 408 observations. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 95 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian 96

Stock Exchange for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies 97 listed on the Nigerian Stock Exchange as a sample from 2012–2017. 98

Thus, foreign ownership can improve corporate governance and maximize stake-99 holder value by encouraging disclosure of corporate performance in sustainability. For-100 eign investors encourage corporate governance practices, and various disclosures, one re-101 lated to environmental, social, and governance disclosure. This means that the more for-102 eign ownership, the more significant impact on the environmental, social, and governance 103 (ESG) disclosure. Companies with foreign ownership are expected to disclose more social 104 and environmental information to assist them in decision making (Khan et al. 2012). Fur-105 thermore, Guo and Zheng (2021) revealed that companies could increase environmental, 106 social, and governance disclosures under pressure from foreign owners. This can enhance 107 the company's reputation and support its legitimacy. Thus, foreign ownership can im-108 prove corporate governance and maximize stakeholder value by disclosing non-financial 109 information including, environmental, social, and governance disclosures. Therefore, 110 the following hypothesis is proposed: 111

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and gov-113 ernance (ESG) disclosure. 114

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 116 individual or community investor. Legitimacy theory reveals that managers attempt to 117 meet society's expectations through communication to conform to societal norms and se-118 cure the legitimacy of business behavior (Suchman, 1995). 119

Khan et al. (2012) revealed that companies with public ownership are more likely to 120 aspire to and achieve community aspirations and legitimacy, which increases their social 121 responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a compa-122 ny's board strengthens social and environmental responsibility for the company. Also, 123 public ownership will pressure corporate accountability, where shareholders want a more 124 comprehensive disclosure of information (Khan et al., 2012). 125

Public ownership positively and significantly affects corporate social responsibility 126 (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing 127 companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. 128 When a company discloses publicity, the issue of public accountability becomes vital. 129 Therefore, publicly owned companies are expected to experience more pressure to dis-130 close additional information because of the visibility and accountability issues that result 131 from the large number of stakeholders (Khan et al., 2012). Therefore, the company has 132 more significant pressure to disclose additional information to numerous stakeholders or 133 companies with public ownership. This is also related to the company's accountability, 134 including environmental, social, and corporate governance disclosure. This means that 135 the more public ownership there is, the more environmental, social, and governance (ESG) 136 is disclosed in the company. Thus, the proposed hypothesis is as follows: 137

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 com-142 pany. The government invests in companies to achieve goals and promote development. 143 State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 144 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the 145 government can pressure companies to disclose more social and environmental infor-146mation and financial information to increase social perceptions of companies. State 147

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ownership increases corporate accountability and transparency, which can increase legit-148 imacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent 149 environmental, social, and governance disclosure. Companies must manage the relation-150 ship with stakeholders that influence business decisions. Companies and stakeholders are 151 interdependent (Manita et al., 2018). 152

State ownership positively affects environmental, social, and governance disclosure 153 (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and signifi-154 cantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and 155 Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in 156 Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainabil-157 ity disclosure because companies to which the state contributes respond to government 158 strategies that promote sustainable development, as government pressure appears to be 159 in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership in-160 creases accountability and transparency systems in companies, thereby increasing their 161 legitimacy (Al Amosh and Khatib, 2021). The state ownership of companies can emphasize 162 the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, 163 as it positively affects disclosure, increasing disclosure as state ownership increases. 164 Hence, this study hypothesizes the following: 165

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and gov-167 ernance (ESG) disclosure.

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

Freeman (1984) revealed that stakeholder theory forces organizational managers to 170 respond more to the external environment and its needs. Stakeholders perceive social re-171 sponsibility as positively impacting a company's future performance and conclude that 172 higher social responsibility reduces the company's sensitivity to adverse shocks that may 173 negatively impact the company (Bouslah et al., 2013). 174

Family companies manage strong relationships with external and internal stakehold-175 ers through the good disclosure of non-financial information (Salvato and Melin, 2008). 176 Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial infor-177 mation, in this case, environmental, social, and governance disclosure, is superior and is 178 expected to influence the perceptions of stakeholders and investors positively. 179

Stakeholder theory can be described with ethical and management aspects, especially 180 economics (Deegan, 2013). From a management point of view, the company should be 181 responsible for the stakeholders who can influence the economic impact on the organiza-182 tion (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to 183 know the social and environmental consequences of a company's operations(Deegan, 184 2013). 185

Family ownership positively and significantly affects sustainability reporting 186 (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to pro-187 tect their families' image and reputation. A good reputation in the minds of stakeholder 188 is essential to protect family assets (Amidjaya and Widagdo, 2020). Thus, family owner-189 ship can improve the disclosure of environmental, social, and governance issues. This 190 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. 195

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

Stakeholder theory reveals that board accountability is not only to shareholders but 197 also to other interested parties. Proponents of stakeholder theory argue that this theory 198

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colors the corporate portrait by providing social and economic values and ethical and 199 moral considerations for estimating firm value (Freeman, 1983). Environmental, social, 200 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. 204

Environmental, social, and governance disclosure positively influence firm value 205 (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; 206 Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible 207 Value Assessment database and the Vigeo Corporate environmental, social, and govern-208 ance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 209 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. 210 (2018) conducted a study on the level of environmental, social, and governance disclosure 211 and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 212 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 213 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors 214 Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 215 environmental, social, and governance scores from 17 countries from 2010 to 2018. These 216 studies determined that TESG disclosure can increase firm value through increased trans-217 parency, accountability, and stakeholder trust (Li et al., 2018). This means that the greater 218 the environmental, social, and governance (ESG) disclosure, the higher the firm's value. 219 In line with the literature, this study proposes the following hypothesis: 220

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 225 effect on performance because external shareholders can reward companies that are suc-226 cessful in corporate social responsibility practices, but their responses do not affect per-227 formance when companies perform poorly. In other words, the cost of corporate social 228 responsibility is not outweighed by gains. However, companies with poor corporate so-229 cial responsibility practices may be penalized by external stakeholders, whose negative 230 opinions of the company can adversely affect the company's performance (Carlos and 231 Lewis, 2018). The previous study use ROA to measure firm performance (Alareeni and 232 Hamdan, 2020; Pulino et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). In 233 addition, the company's performance uses ROA as the primary indicator associated with 234 capital invested in operating activities related to the balance sheet (Pulino et al., 2022). 235

Environmental, social, and governance disclosure positively influence firm perfor-236 mance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 237 2022; Kumar and Firoz, 2022; Chen and Xie, 2022). Furthermore, environmental, social, 238 and governance disclosure has a positive effect firm performance (Chen and Xie, 2022; 239 Pulino et al., 2022). Environmental, social, and governance disclosure positively impacts 240 financial performance (Giannopoulos et al., 2022). In addition, integrated reporting also 241 positively and significantly affects firm performance (Pavlopoulos et al., 2019). Brogi and 242 Lagasio (2018) conducted research on US companies with 17,358 observations. Boulhaga 243 et al. (2022) conducted a study using a sample 98 firms from French registered compa-244 nies on the SBF 120 index over seven years, from 2012 to 2018, for a total of 686 observa-245 tions. Pavlopoulos et al (2019) conducted research using 82 companies from 25 countries. 246 Chen and Xie (2022) researched non-financial companies from 2000 to 2020 on Chinese 247 stock exchange. Pulino et al. (2022) investigated the largest Italian-listed companies as a 248 sample from 2011 to 2020. They determined that the greater the environmental, social, 249 and governance (ESG) implementation, the higher the firm performance. Therefore, the 250 hypothesis is: 251

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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 moni-257 toring tool to reduce information asymmetry, limit opportunistic behavior, and improve 258 environmental, social, and governance disclosure, firm performance, and firm value. Prin-259 cipals use the disclosure of financial and non-financial information to reduce agency costs 260 (i.e., information asymmetry) arising from the separation of ownership and control 261 (Morris, 1987). Companies provide environmental, social, and governance disclosures to 262 reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased 263 environmental, social, and governance disclosure, which represents additional non-finan-264 cial information, improves the information environment and reduces the knowledge bar-265 rier between the company and its shareholders (Kim et al., 2014). 266

The primary responsibility of an audit committee is to oversee the financial and nonfinancial 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). 273

An audit committee handles preparing, presenting, and ensuring the integrity of fi-274 nancial statements, applying accounting principles and financial statements, and per-275 forming internal control under applicable financial accounting standards. The audit com-276 mittee is also responsible for conducting an independent audit of consolidated financial 277 statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit 278 committee's role is to assist the board of directors in overseeing the company's reporting 279 policies and the quality of the company's financial statements. In addition, the audit com-280 mittee can increase investor and stakeholder confidence in the reliability and objectivity 281 of financial statements and provide increased efficiency in corporate governance practices 282 (Bicer and Feneir, 2019). As a result, the study suggested the following hypotheses: 283

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.

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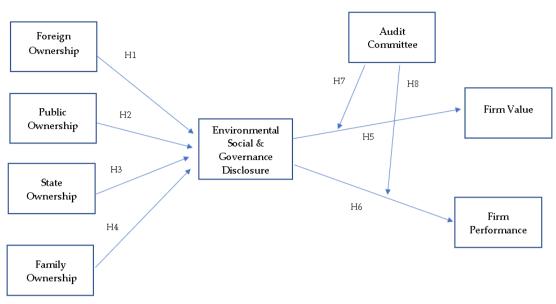


Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock 295 Exchange for each sector. In addition, this research uses secondary data from annual, 296 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 298 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	(Al Amosh and Khatib, 2021).	
	shares to the total number of issued		
	shares.		
Family ownership	Percentage of family ownership of	(Al Amosh and Khatib, 2021).	
	shares to the total number of issued		
	shares.		
State ownership	Percentage of state ownership of shares	(Al Amosh and Khatib, 2021).	
	to the total number of issued shares		
Public ownership	Percentage of public ownership of	(Khan et al., 2012)	
	shares to the total number of issued		
	shares		
Environmental, social, and governance	ESG Score ranging from 0.1 to 100	(GRI, 2013)	
(ESG) disclosure			
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg and Ross, 1981)	
	Where:		
	VMS = market value of all outstanding		
	shares		

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

Source: several empirical research results developed for this study

Table 1 shows the measurements of research variables. The environmental, social, 303 and governance (ESG) disclosure are obtained from financial reports and sustainability 304 reports from companies' websites and the IDX or Indonesian capital market directory 305 (idx.co.id; idxchannel.com). This study uses content analysis (Krippendorff, 2018) for all 306 companies as samples to be more detailed and transparent in collecting data by examining 307 environmental, social, and governance disclosures referring to guidelines of the Global 308 Reporting Initiatives (GRI, 2013). ESG score in this study ranges from 0.1 to 100, with high 309 scores indicating more disclosure and transparency. According to the Global Reporting 310 Initiatives (GRI-G4) the environmental dimension of sustainability includes issues related 311 to the organization's impact on ecosystems, these issues include biodiversity, waste and 312 waste, greenhouse gas emissions, discharges into water, and other emissions. The social 313 dimension concerns an organization's impact on its social systems, such as equal oppor-314 tunity, social investment, human rights, due diligence, and community involvement. 315 Thus, the governance dimension focuses on organizational capabilities in instituting 316 mechanisms that assist stakeholders in evaluating company compliance with established 317 rules and regulations and initiatives for sustainable business practices. 318

3.3. Method of analysis

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. 323

Conventional regression only examines the causal relationship, ceteris paribus, be-324 tween the independent and dependent variables. Structural equation modeling (SEM) 325 was advantageous in establishing complex causal relationships between variables, allow-326 ing it to perform multiple path analyses and measure the effects of interrelationships var-327 iables on the response variable (Li and Zhao, 2019). The SEM model evaluated the com-328 plete adequacy of suggested hypotheses between constructs. The essential paths between 329 the paired constructs in the model suggest the simultaneous emergence of relationships 330 and the appropriate compilation of strategic responses to the perceived market 331

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environment. The structural model describes construction's interrelationships (Weston 332 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.
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The outer model test was used to determine the indicators of the latent variables in 337 the study. All indicators of latent variables were reflective, meaning a reflection of each 338 variable. The provision of whether an indicator reflects each variable was based on the 339 loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the 340 variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered 341 sufficient. Model fit involves testing the structural model by considering the parameter 342 values of the relationships between the variables studied. A hypothesis was declared sig-343 nificant if the p-value < 0.05 (Hair et al., 2016, 2019). 344 The form of the structural equation can be described as follows: 345

$ESG = \alpha + \beta_1 FO + \beta_2 PU + \beta_3 ST + \beta_4 FA + \beta_5 S + \beta_6 L + \epsilon$	[1]	346
Company performance = $\alpha + \beta_1 ESG * AC + \varepsilon$	[2]	347
Firm value = $\alpha + \beta_1 ESG * AC + \varepsilon$	[3]	348
The equation symbol is defined below:		349
FO = foreign ownership,		350
PU = public ownership		351
ST = state ownership		352
FA = family ownership		353
S = size		354
L = leverage		355
ESG = environmental, social, and governance disclosure		356
AC = audit committee		357

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic Variables Ν 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 0.00 Family ownership 700 45.3 16.5 9.3 ESG 700 8 72,8 39.2 14.5 2.3 Audit committee 700 2 4 3,4

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	

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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 the364reliability testing of all variables in this study. The reliability and validity of this study are365adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliabilities366ity was > 0.7. The average variance extracted (AVE) value was above 0.5.367

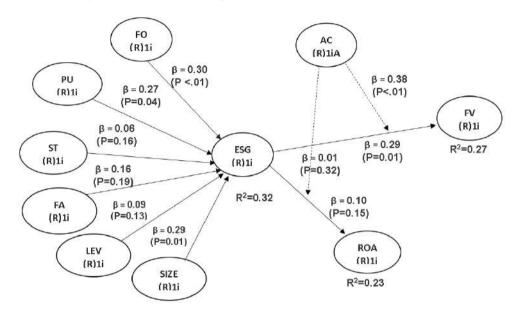


Figure 2. The result of Partial Least Square (PLS)

Table 4.	Path	Coefficient
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Hypotheses	Coefficient	p Value	Result
Foreign ownership \rightarrow ESG	0.30	< 0.01	Accepted
Public ownership \rightarrow ESG	0.27	0.04	Accepted
State ownership \rightarrow ESG	0.06	0.16	Rejected
Family ownership \rightarrow ESG	0.16	0.19	Rejected
$ESG \rightarrow Firm Value$	0.29	0.01	Accepted
$ESG \rightarrow Firm Performance$	0.10	0.15	Rejected
$ESG \rightarrow Firm Value \rightarrow Audit committee$	0.38	< 0.01	Accepted
$ESG \rightarrow Firm Performance \rightarrow Audit committee$	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. 373 The proposed hypotheses H1, H2, H5, and H7 were accepted and had a positive effect. 374 H1 was acceptable because foreign ownership positively affects environmental, social, 375 and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a 376 positive association between public ownership and environmental, social, and 377 governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because 378 environmental, social, and governance disclosure positively affects firm value (Coefficient 379 = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted 380 and confirmed the H7 that audit committee moderates the relationship between 381 environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses 382 H3, H4, H6, and H8 were rejected because the p-value was greater than 0.05. 383

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4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impacts environ-386 mental, social, and governance (ESG) disclosure. The results of this study indicate that 387 foreign ownership has a significant positive effect on the environmental, social, and gov-388 ernance (ESG) disclosure. This means that the greater the foreign ownership, the greater 389 the environmental, social, and governance (ESG) disclosure. This finding supports previ-390 ous research that concluded that foreign ownership significantly and positively affects 391 ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 392 2018; Bae et al., 2018; Amidjava and Widagdo, 2020; Al Amosh and Khatib, 2021). How-393 ever, this finding is not in line with previous research that revealed foreign ownership has 394 a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan 395 et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do 396 not support the study by Yu and Luu (2021), which concluded that foreign ownership did 397 not impact ESG disclosure. This study supports the legitimacy theory. 398

The second hypothesis (H2) reveals that public ownership affects environmental, so-399 cial, and governance (ESG) disclosure. The results of this study indicate that public own-400 ership has a positive and significant effect on the environmental, social, and governance 401 (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports 402 previous research by (Khan et al., 2012) that concluded that public ownership positively 403 affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the 404 result did not agree with Nugraheni et al. (2022), who concluded that public ownership 405 does not impact corporate social responsibility disclosure. The finding of this study sup-406 ports the legitimacy theory. 407

The third hypothesis (H3) reveals that state ownership positively influences environ-408 mental, social, and governance (ESG) disclosure. However, the result research shows that 409 state ownership does not impact environmental, social, and governance disclosure. 410 Therefore, the third hypothesis was rejected. This finding does not support previous study 411 from Khlif et al. (2016); Al Amosh and Khatib (2021), who concluded that state ownership 412 has a significant positive effect the environmental, social, and governance disclosure. Fur-413 thermore, this result is not inline the study from Al-Janadi et al. (2016), who concluded 414 that state ownership negatively impacts voluntary disclosure. Therefore, this finding does 415 not support the stakeholder theory. 416

The fourth hypothesis (H4) states that family ownership positively affects environ-417 mental, social, and governance (ESG) disclosure. The result of this study is not supported. 418 The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership 419 does not affect environmental, social, and governance disclosure. This result is in line with 420 the previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and 421 Rodionova 2014), which shows insignificant results. In addition, family ownership does 422 not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018) or does not influ-423 ence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and 424 Rodionova (2014) found that family ownership negatively affects the quality of sustaina-425 bility reports. This study does not support stakeholder theory. 426

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) 427 disclosure positively affects firm value. The result of this study shows that environmental, 428 social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was 429 supported. This means that the higher the environmental, social, and governance (ESG) 430 disclosure, the higher the firm value. This result supports the previous research (Ferrell et 431 al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 432 2018) concluded that environmental, social, and governance disclosure positively and sig-433 nificantly affects firm value. However, this finding does not agree with previous studies 434 by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, 435 and governance disclosure did not influence firm value. The finding of this study supports 436 stakeholder theory. 437

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The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) 438 disclosure positively affects firm performance. The data analysis for hypothesis 6 from the 439 Figure 2 and Table 4 shows that environmental, social, and governance disclosure does 440 not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding 441 does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar 442 and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmen-443 tal, social, and governance disclosure effects have significant positive on firm perfor-444 mance. Furthermore, this result does not support the previous research (Buallay, 2019; 445 Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) con-446 cluded that environmental, social, and governance disclosure negatively impacts the firm 447 performance. This finding does not support stakeholder theory. 448

The seventh hypothesis (H7) states that audit committees moderate the relationship 449 between environmental, social, and governance disclosure and firm value. However, the 450 result research shows that environmental, social, and governance disclosure affects firm 451 value, and the audit committee moderates this influence. Therefore, the seventh hypoth-452 esis was accepted. The audit committee is a moderating variable on Environmental, social, 453 and governance disclosure influences and firm values that strengthen its relationship. 454 This finding supports agency theory. 455

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, 459 and governance disclosure on firm performance. Thus, audit committees do not act as 460 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 0.32 467 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm 468 performance. This means that 0.32 of the environmental, social, and governance are influ-469 enced by foreign ownership, public ownership, state ownership, and family ownership, 470 while 0.68 of the variables are influenced by other variables outside the variables that have 471 not been studied in this study. An R² value of more than 0.5 indicates that the model has 472 good goodness of fit measure (Hair et al., 2019). 473

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a pos-476 itive and significant effect on environmental, social, and governance (ESG) disclosure. 477 Foreign ownership plays a role in environmental, social, and governance disclosure be-478 cause it contributes to the process. This is in line with public ownership, which also plays 479 a role in environmental, social, and governance disclosure. Neither state nor family own-480 ership significantly influences environmental, social, and governance disclosure. Further-481 more, environmental, social, and governance disclosure positively and significantly affect 482 firm value. However, environmental, social, and governance disclosure do not signifi-483 cantly affect the firm performance. The audit committee moderates the influence between 484 environmental, social, and governance disclosure, and firm value. However, the audit 485 committee does not play a moderating role in influencing environmental, social, and gov-486 ernance (ESG) disclosure and firm performance. Overall, these findings prompt manag-487 ers to pay attention to social operations and good corporate governance that is environ-488 mentally friendly. The results are helpful for companies and the government as a regula-489 tor who can convince companies to adopt environmental, social, and governance disclo-490 sure. 491

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 505 financial services authority (Otoritas Jasa Keuangan-OJK). The government must create 506 stronger environmental, social, and governance regulations that companies must apply, 507 especially those listed on the Indonesia Stock Exchange. However, a company's annual 508 report must disclose information related to corporate social responsibility (CSR) based on 509 the law from the financial services authority (Otoritas Jasa Keuangan-OJK). 510

Fourth, investors can assess the company's environmental, social, and governance 511 disclosure more accurately. As a result, investors have a significant role in supporting 512 companies in increasing transparency and disclosure and ultimately improving their re-513 porting standards. Finally, environmental, social, and governance disclosure can per-514 suade investors to invest in a company.

Limitations

This study has several limitations. The first limitation is related to weak secondary 518data. Suggestions for further research would be to conduct research by obtaining primary 519 data. In addition, future researchers should conduct a qualitative study with interviews 520 with companies that have disclosed environmental, social, and governance information. 521 The second limitation is that the factors affecting environmental, social, and governance 522 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 531 their dimensions, particularly political stability, regulatory quality, the rule of law, and 532 corruption control, positively impact the profitability of Islamic banks. Furthermore, the 533 results of this study showed that increasing the dimensions of external governance, espe-534 cially political stability, regulatory quality, the rule of law, and controlling corruption, 535 increase the profitability of Islamic banks (Athari and Bahreini, 2021). 536

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REVIEWER 1

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

Open Review

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.





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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 5 governance (ESG) disclosure, firm value, firm performance, and audit committees as moderating 6 variables in the Indonesian context. The ownership structures in this study are foreign, public, state, 7 and family ownership. This research is quantitative and uses secondary data. The sample consisted 8 of 140 companies on the Indonesia Stock Exchange for the 2018-2020 period. This study used legiti-9 macy, stakeholder, and agency theory. The analytical method used was partial least squares struc-10 tural equation modeling. The results show that foreign and public ownership positively and signif-11 icantly affect environmental, social, and governance disclosure. However, state and family owner-12 ship did not affect environmental, social, and governance disclosure. In addition, Environmental, 13 social, and governance disclosure positively impacts firm value. However, environmental, social, 14 and governance disclosure do not affect a company's performance. Audit committees moderate 15 the influence of environmental, social, and governance disclosure and firm value. However, the 16 audit committees do not moderate the effect of environmental, social, and governance disclosure 17 and firm performance. The government should make stronger environmental, social, and govern-18 ance regulations that must be implemented by companies listed on the Indonesia Stock Exchange 19 even though they are now voluntary. 20

Keywords:Ownership structure; environmental; social; and governance (ESG) disclosure; firm21value; firm performance; audit committee22

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1. Introduction

Recently, corporate organizations have become more responsible for the environ-25 ment and society. This is due to demands from stakeholders, customers, regulators, com-26 pany shareholders, suppliers, employees, creditors, media, and social and environmental 27 activist groups (Maama and Appiah, 2019; Sajjad et al. 2019). Environmental, social, and 28 governance (ESG) analysis has become an essential part of the investment process due to 29 increasing attention to investing in companies' social impact and sustainability (Caporale 30 et al., 2022). Lack of clarity on the disclosure of environmental, social, and governance 31 (ESG) practices can create information gaps for responsible financiers and investors when 32 making assessments (Rabaya and Saleh 2021). ESG disclosures reveal a company's over-33 all initiatives to stakeholders, including regulators, communities, investors, and employ-34 ees (Atif et al. 2022). 35

Environmental, social, and governance disclosure activity include three main com-36 ponents. The first is the environment, which includes aspects related to pollution, miti-37 gation, and climate change sustainability. The second is social, which refers to how an 38 organization treats its communities, employees, and clients and its responsibility for prod-39 ucts and services, diversity, the fight against corruption, and respect for human rights 40 throughout the supply chain. The last component is governance, which is related to bal-41 ancing the interests of stakeholders and shareholders and adhering to the best corporate 42 governance practices (De Masi et al. 2021). The environmental dimension refers to a com-43 pany's ability to use natural resources efficiently, thereby reducing environmental emis-44 sions. The social dimension promotes ethical values, employees' trust and respect for 45

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human rights. Finally, the governance dimension benefits shareholders through the company's management system and effective processes (Dicuonzo et al., 2022). 47

Previous research explained environmental, social, and governance (ESG) disclosure 48 (Kumar and Firoz, 2022; Y. Li et al., 2018; Mohammad and Wasiuzzaman, 2021; Rabaya 49 and Saleh, 2021; Wasiuzzaman et al., 2022), (Zhongfei Chen and Xie, 2022), environmental, 50 social and governance performance (Beloskar & Rao, 2022; He et al., 2022; Sheehan et al., 51 2022; Daugaard and Ding, 2022; Wang and Sun, 2022), environmental, social and govern-52 ance ratings (Zheng et al., 2022; Vilas et al., 2022; Liu and Lyu, 2022; Boulhaga et al., 2022) 53 environmental, social and governance reporting (Ahmad et al., 2021; Bamahros et al., 54 2022); environmental, social and governance practices (Dicuonzo et al., 2022; Fuente et al., 55 2022). This study examines the effect of ownership structure which includes foreign, pub-56 lic, state, and family ownership, on environmental, social, and governance disclosure, firm 57 value, firm performance, and audit committees as moderating variables. The study used 58 a sample of companies listed on the Indonesia Stock exchange. In theory, this research 59 extends legitimacy, stakeholder, and agency theories. Moreover, the current study pro-60 vides insight into the role of audit committees in companies regarding environmental, 61 social, and governance disclosure, firm value, and performance. 62

Our study offers several contributions. First, we contribute to the literature by seek-63 ing to understand ownership structure and environmental, social, and governance disclo-64 sure. As mentioned, the ownership structure consists of foreign, state, family and public 65 ownership. we expand on existing knowledge of environmental, social, and governance 66 disclosure by exploring the contribution of ownership structures to the three components 67 of environmental, social, and governance practices. Second, this study uses and extends 68 legitimacy, stakeholder, and agency theory. Third, we contribute to the effects of envi-69 ronmental, social, and governance disclosure on firm value and performance with the au-70 dit committee as a moderating variable. 71

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 77 Amosh and Khatib (2021) revealed that a company and its stakeholders gain trust and 78 transparency with the presence of foreign shareholders in a company. Using legitimacy 79 theory, Hanifa and Rashid (2005) described that foreign investors lead to a higher legiti-80 macy gap. Management can disclose environmental, social, and governance elements as 81 a proactive legitimacy strategy that can encourage capital flow from foreign parties and 82 satisfy foreign investors. Legitimacy theory influences and regulates people's goals to 83 obtain rewards and escape a punished society's actions. Firm disclosure results from social 84 values, and the legitimacy theory's environmental and social disclosure model considers 85 stakeholder values when considering any decision (Tilling and Tilt, 2010). 86

Foreign ownership positively affects environmental, social, and governance disclo-87 sure (Al Amosh and Khatib, 2021). Foreign ownership positively was found to affect cor-88 porate social responsibility (CSR) disclosure in China from (Guo and Zheng 2021) and 89 in Bangladesh (Khan et al. 2012). In addition, foreign ownership positively affects envi-90 ronmental sustainability reporting (Khlif et al. 2016; Masud et al., 2018; Bae et al., 2018; 91 Amidjaya and Widagdo, 2020). Baba and Baba (2021) concluded that foreign ownership 92 positively affects social and environmental reporting. Al Amosh and Khatib (2021) inves-93 tigated 51 companies listed on Amman Stock Exchange (ASE) between 2012 and 2019 dur-94 ing 408 observations. Masud et al. (2018) studied 88 companies from 2006 to 2016 during 95 326 observations. Amidjaya and Widagdo (2020) studied 31 banks listed on the Indonesian 96

Stock Exchange for 2012-2016 as a sample. Baba and Baba (2021) used 80 companies 97 listed on the Nigerian Stock Exchange as a sample from 2012–2017. 98

Thus, foreign ownership can improve corporate governance and maximize stake-99 holder value by encouraging disclosure of corporate performance in sustainability. For-100 eign investors encourage corporate governance practices, and various disclosures, one re-101 lated to environmental, social, and governance disclosure. This means that the more for-102 eign ownership, the more significant impact on the environmental, social, and governance 103 (ESG) disclosure. Companies with foreign ownership are expected to disclose more social 104 and environmental information to assist them in decision making (Khan et al. 2012). Fur-105 thermore, Guo and Zheng (2021) revealed that companies could increase environmental, 106 social, and governance disclosures under pressure from foreign owners. This can enhance 107 the company's reputation and support its legitimacy. Thus, foreign ownership can im-108 prove corporate governance and maximize stakeholder value by disclosing non-financial 109 information including, environmental, social, and governance disclosures. Therefore, 110 the following hypothesis is proposed: 111

Hypothesis 1 (H1). Foreign ownership positively affects environmental, social, and gov-113 ernance (ESG) disclosure. 114

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 116 individual or community investor. Legitimacy theory reveals that managers attempt to 117 meet society's expectations through communication to conform to societal norms and se-118 cure the legitimacy of business behavior (Suchman, 1995). 119

Khan et al. (2012) revealed that companies with public ownership are more likely to 120 aspire to and achieve community aspirations and legitimacy, which increases their social 121 responsibility and disclosure. Furthermore, Khlif et al. (2016) emphasized that a compa-122 ny's board strengthens social and environmental responsibility for the company. Also, 123 public ownership will pressure corporate accountability, where shareholders want a more 124 comprehensive disclosure of information (Khan et al., 2012). 125

Public ownership positively and significantly affects corporate social responsibility 126 (CSR) disclosure (Khan et al. 2012). Khan et al. (2012) investigated 135 manufacturing 127 companies on the Dhaka Stock Exchange in Bangladesh as a sample from 2005 to 2009. 128 When a company discloses publicity, the issue of public accountability becomes vital. 129 Therefore, publicly owned companies are expected to experience more pressure to dis-130 close additional information because of the visibility and accountability issues that result 131 from the large number of stakeholders (Khan et al., 2012). Therefore, the company has 132 more significant pressure to disclose additional information to numerous stakeholders or 133 companies with public ownership. This is also related to the company's accountability, 134 including environmental, social, and corporate governance disclosure. This means that 135 the more public ownership there is, the more environmental, social, and governance (ESG) 136 is disclosed in the company. Thus, the proposed hypothesis is as follows: 137

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 com-142 pany. The government invests in companies to achieve goals and promote development. 143 State ownership positively affects sustainability reporting (Rudyanto, 2017; Kumar et al., 144 2022). Naser et al. (2006) used legitimacy and stakeholder theory, which suggests that the 145 government can pressure companies to disclose more social and environmental infor-146 mation and financial information to increase social perceptions of companies. State 147

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ownership increases corporate accountability and transparency, which can increase legit-148 imacy (Monk, 2009). Stakeholder theory reveals companies' motivation for transparent 149 environmental, social, and governance disclosure. Companies must manage the relation-150 ship with stakeholders that influence business decisions. Companies and stakeholders are 151 interdependent (Manita et al., 2018). 152

State ownership positively affects environmental, social, and governance disclosure 153 (Khlif et al., 2016; Al Amosh and Khatib, 2021). State ownership positively and signifi-154 cantly influences voluntary disclosure (Albawwat and Ali basah, 2015). Albawwat and 155 Ali basah (2015) used 72 non-financial companies listed on Amman Stock Exchange in 156 Jordan from 2009 to 2013. State ownership plays a decisive role in companies' sustainabil-157 ity disclosure because companies to which the state contributes respond to government 158 strategies that promote sustainable development, as government pressure appears to be 159 in line with stakeholder interests (Rudyanto, 2017). Furthermore, state ownership in-160 creases accountability and transparency systems in companies, thereby increasing their 161 legitimacy (Al Amosh and Khatib, 2021). The state ownership of companies can emphasize 162 the disclosure of social and environmental responsibilities. Thus, it is also related to ESG, 163 as it positively affects disclosure, increasing disclosure as state ownership increases. 164 Hence, this study hypothesizes the following: 165

Hypothesis 3 (H3). State ownership positively impacts environmental, social, and gov-167 ernance (ESG) disclosure.

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

Freeman (1984) revealed that stakeholder theory forces organizational managers to 170 respond more to the external environment and its needs. Stakeholders perceive social re-171 sponsibility as positively impacting a company's future performance and conclude that 172 higher social responsibility reduces the company's sensitivity to adverse shocks that may 173 negatively impact the company (Bouslah et al., 2013). 174

Family companies manage strong relationships with external and internal stakehold-175 ers through the good disclosure of non-financial information (Salvato and Melin, 2008). 176 Chauhan and Kumar (2018) concluded that voluntary disclosure of non-financial infor-177 mation, in this case, environmental, social, and governance disclosure, is superior and is 178 expected to influence the perceptions of stakeholders and investors positively. 179

Stakeholder theory can be described with ethical and management aspects, especially 180 economics (Deegan, 2013). From a management point of view, the company should be 181 responsible for the stakeholders who can influence the economic impact on the organiza-182 tion (O'Dwyer, 2003). From the ethical dimension, all stakeholders have the right to 183 know the social and environmental consequences of a company's operations(Deegan, 184 2013). 185

Family ownership positively and significantly affects sustainability reporting 186 (Amidjaya and Widagdo, 2020). This is because companies owned by families tend to pro-187 tect their families' image and reputation. A good reputation in the minds of stakeholder 188 is essential to protect family assets (Amidjaya and Widagdo, 2020). Thus, family owner-189 ship can improve the disclosure of environmental, social, and governance issues. This 190 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. 195

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

Stakeholder theory reveals that board accountability is not only to shareholders but 197 also to other interested parties. Proponents of stakeholder theory argue that this theory 198

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colors the corporate portrait by providing social and economic values and ethical and 199 moral considerations for estimating firm value (Freeman, 1983). Environmental, social, 200 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. 204

Environmental, social, and governance disclosure positively influence firm value 205 (Ferrell et al., 2016; Yu et al., 2018; Li et al., 2018; Aboud and Diab, 2018; Kim et al., 2018; 206 Shaikh, 2022). Ferrell et al. (2016) conducted a study using data from MSCI's Intangible 207 Value Assessment database and the Vigeo Corporate environmental, social, and govern-208 ance (ESG) database from 1999 to 2011. Yu et al. (2018) conducted research and used 47 209 developed and emerging countries from 2012 to 2016 with 1.996 observations. Li et al. 210 (2018) conducted a study on the level of environmental, social, and governance disclosure 211 and firm value using the FTSE 350 in the UK and a sample of 2,415 observations from 212 367 companies from 2004 to 2013. Aboud and Diab (2018) conducted research using 1,507 213 observations from the Egyptian stock market. Kim et al. (2018) used the Korea Investors 214 Service Value and Bloomberg databases from 2010 to 2014. Shaikh (2022) researched 510 215 environmental, social, and governance scores from 17 countries from 2010 to 2018. These 216 studies determined that TESG disclosure can increase firm value through increased trans-217 parency, accountability, and stakeholder trust (Li et al., 2018). This means that the greater 218 the environmental, social, and governance (ESG) disclosure, the higher the firm's value. 219 In line with the literature, this study proposes the following hypothesis: 220

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 225 effect on performance because external shareholders can reward companies that are suc-226 cessful in corporate social responsibility practices, but their responses do not affect per-227 formance when companies perform poorly. In other words, the cost of corporate social 228 responsibility is not outweighed by gains. However, companies with poor corporate so-229 cial responsibility practices may be penalized by external stakeholders, whose negative 230 opinions of the company can adversely affect the company's performance (Carlos and 231 Lewis, 2018). ROA uses to measure firm performance (Alareeni and Hamdan, 2020; Pulino 232 et al., 2022; Saini and Singhania, 2019; Kumar and Firoz, 2022). In addition, the compa-233 ny's performance uses ROA as the primary indicator associated with capital invested in 234 operating activities related to the balance sheet (Pulino et al., 2022). 235

The environmental, social, and governance disclosure positively affect firm perfor-236 mance (Brogi and Lagasio, 2018; Mohammad and Wasiuzzaman, 2021; Boulhaga et al., 237 2022; Kumar and Firoz, 2022; Chen and Xie, 2022; Pulino et al., 2022). Environmental, 238 and governance disclosure positively impacts financial performance social, 239 (Giannopoulos et al., 2022). In addition, integrated reporting also positively and signifi-240 cantly affects firm performance (Pavlopoulos et al., 2019). Brogi and Lagasio (2018) con-241 ducted research on US companies with 17,358 observations. Boulhaga et al. (2022) con-242 ducted a study using a sample 98 firms from French registered companies on the SBF 120 243 index over seven years, from 2012 to 2018, for a total of 686 observations. Pavlopoulos et 244 al (2019) conducted research using 82 companies from 25 countries. Chen and Xie (2022) 245 researched non-financial companies from 2000 to 2020 on Chinese stock exchange. Pulino 246 et al. (2022) investigated the largest Italian-listed companies as a sample from 2011 to 2020. 247 They determined that the greater the environmental, social, and governance (ESG) imple-248 mentation, the higher the firm performance. Therefore, the hypothesis is: 249

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Hypothesis 6 (H6). Environmental, social, and governance (ESG) disclosure positively af-251 fect firm performance. 252

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 moni-255 toring tool to reduce information asymmetry, limit opportunistic behavior, and improve 256 environmental, social, and governance disclosure, firm performance, and firm value. Prin-257 cipals use the disclosure of financial and non-financial information to reduce agency costs 258 (i.e., information asymmetry) arising from the separation of ownership and control 259 (Morris, 1987). Companies provide environmental, social, and governance disclosures to 260 reduce information asymmetry (Harjoto and Jo, 2011). Hence, management's increased 261 environmental, social, and governance disclosure, which represents additional non-finan-262 cial information, improves the information environment and reduces the knowledge bar-263 rier between the company and its shareholders (Kim et al., 2014). 264

The primary responsibility of an audit committee is to oversee the financial and non-265 financial reporting processes and to reduce information asymmetry between managers, 266 stakeholders, and the company (Appuhami and Tashakor, 2017). In particular, the audit 267 committee oversees mandatory and voluntary environmental, social, and governance dis-268 closures. Therefore, audit committee members must understand how environmental, so-269 cial, and governance risks and opportunities are identified and prioritized and oversee 270 disclosure practices accordingly (Bamahros et al., 2022).

An audit committee handles preparing, presenting, and ensuring the integrity of fi-272 nancial statements, applying accounting principles and financial statements, and per-273 forming internal control under applicable financial accounting standards. The audit com-274 mittee is also responsible for conducting an independent audit of consolidated financial 275 statements based on auditing standards (Djaddang et al., 2017). Furthermore, an audit 276 committee's role is to assist the board of directors in overseeing the company's reporting 277 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 (Bicer 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.

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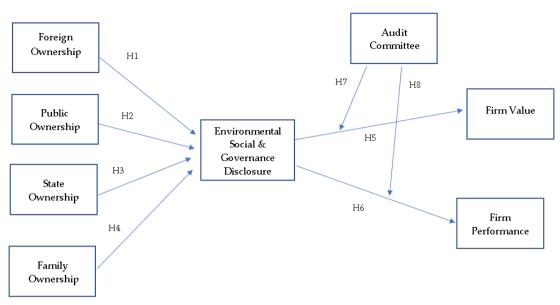


Figure 1. Empirical Research Model

3. Methodology

3.1. Sample selection and data source

The population in this study consisted of companies listed on the Indonesia Stock 293 Exchange for each sector. In addition, this research uses secondary data from annual, financial, and sustainability reporting from companies' websites and the IDX or Indone-295 sian capital market directory (idx.co.id; idxchannel.com). The research period is from 296 2016-2020, with as many as 140 companies and 700 observations. 297

3.2. The measurement of variables

Table 1. Measurement of research variables				
Variable	Measurement	Sources		
Foreign ownership	Percentage of foreign ownership of	(Al Amosh and Khatib, 2021).		
	shares to the total number of issued			
	shares.			
Family ownership	Percentage of family ownership of	(Al Amosh and Khatib, 2021).		
	shares to the total number of issued			
	shares.			
State ownership	Percentage of state ownership of shares	(Al Amosh and Khatib, 2021).		
	to the total number of issued shares			
Public ownership	Percentage of public ownership of	(Khan et al., 2012)		
	shares to the total number of issued			
	shares			
Environmental, social, and governance	ESG Score ranging from 0.1 to 100	(GRI, 2013)		
(ESG) disclosure				
Firm value	Tobin's Q = (VMS + D)/TA	(Lindenberg and Ross, 1981)		
	Where:			
	VMS = market value of all outstanding			
	shares			

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

Source: several empirical research results developed for this study

Table 1 shows the measurements of research variables. The environmental, social, 301 and governance (ESG) disclosure is obtained from financial reports and sustainability re-302 ports from companies' websites and the IDX or Indonesian capital market directory 303 (idx.co.id; idxchannel.com). This study uses content analysis (Krippendorff, 2018). This 304 analysis is used for all companies as samples to be more detailed and transparent in col-305 lecting data by examining environmental, social, and governance (ESG) disclosures refer-306 ring to guidelines of the Global Reporting Initiatives (GRI, 2013). ESG score in this study 307 ranges from 0.1 to 100, with high scores indicating more disclosure and transparency. Ac-308 cording to the Global Reporting Initiatives (GRI-G4) the environmental dimension of sus-309 tainability includes issues related to the organization's impact on ecosystems. These is-310 sues include biodiversity, effluents and waste, greenhouse gas emissions, discharges into 311 water, and other emissions. The social dimension concerns an organization's impact on its 312 social systems, such as equal opportunity, social investment, human rights, due diligence, 313 and community involvement. Thus, the governance dimension focuses on organizational 314 capabilities in instituting mechanisms that assist stakeholders in evaluating company 315 compliance with established rules and regulations and initiatives for sustainable business 316 practices. 317

3.3. Method of analysis

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. 322

Conventional regression only examines the causal relationship, ceteris paribus, between the independent and dependent variables. Structural equation modeling (SEM) 324 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 329

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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 336 the study. All indicators of latent variables were reflective, meaning a reflection of each 337 variable. The provision of whether an indicator reflects each variable was based on the 338 loading factor. If the results of the loading factor were > 0.7, then the indicator reflects the 339 variable, but if the results of the loading factor range from 0.5 to 0.60, it was considered 340 sufficient. Model fit involves testing the structural model by considering the parameter 341 values of the relationships between the variables studied. A hypothesis was declared sig-342 nificant if the p-value < 0.05 (Hair et al., 2016, 2019). 343 The form of the structural equation can be described as follows: 344

$ESG = \alpha + \beta_1FO + \beta_2PU + \beta_3ST + \beta_4FA + \beta_5S + \beta_6L + \varepsilon$	[1]	3
Company performance = $\alpha + \beta_1 ESG * AC + \varepsilon$	[2]	3
Firm value = $\alpha + \beta_1 ESG * AC + \varepsilon$	[3]	3

The equation symbol is defined below:

FO = foreign ownership,	349
PU = public ownership	350
ST = state ownership	351
FA = family ownership	352
S = size	353
L = leverage	354
ESG = environmental, social, and governance disclosure	355
AC = audit committee	356

4. Results and Discussion

4.1. Results

Table 2. Descriptive statistic					
Variables	Ν	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

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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

Table 2 shows the descriptive statistics of the sample. Table 3 shows the results of the363reliability testing of all variables in this study. The reliability and validity of this study are364adequate, as the value of Cronbach's alpha was > 0.6, and the value for composite reliabilities365ity was > 0.7. The average variance extracted (AVE) value was above 0.5.366

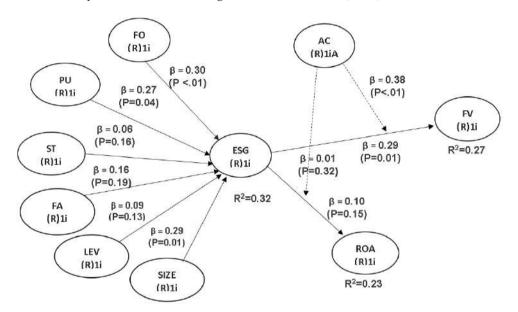


Figure 2. The result of Partial Least Square (PLS)

Table 4. Path	n Coefficient
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Hypotheses	Coefficient	p Value	Result
Foreign ownership \rightarrow ESG	0.30	< 0.01	Accepted
Public ownership \rightarrow ESG	0.27	0.04	Accepted
State ownership \rightarrow ESG	0.06	0.16	Rejected
Family ownership \rightarrow ESG	0.16	0.19	Rejected
$ESG \rightarrow Firm Value$	0.29	0.01	Accepted
$ESG \rightarrow Firm Performance$	0.10	0.15	Rejected
$ESG \rightarrow Firm Value \rightarrow Audit committee$	0.38	< 0.01	Accepted
$ESG \rightarrow Firm Performance \rightarrow Audit committee$	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. 372 The proposed hypotheses H1, H2, H5, and H7 were accepted and had a positive effect. 373 H1 was acceptable because foreign ownership positively affects environmental, social, 374 and governance disclosure (Coefficient = 0.30, p-value = < 0.01). For H2, there was a 375 positive association between public ownership and environmental, social, and 376 governance disclosure (Coefficient = 0.27, p-value = 0.04). H5 was supported because 377 environmental, social, and governance disclosure positively affects firm value (Coefficient 378 = 0.29, p-value = 0.01). (Coefficient = 0.29, p-value = 0.01). Finally, H7 was also accepted 379 and confirmed the H7 that audit committee moderates the relationship between 380

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environmental, social, and governance disclosure and firm value. Meanwhile, Hypotheses 381 H3, H4, H6, and H8 were rejected because the p-value was greater than 0.05. 382

4.2. Discussion

The first hypothesis (H1) states that foreign ownership positively impacts environ-385 mental, social, and governance (ESG) disclosure. The results of this study indicate that 386 foreign ownership has a significant positive effect on the environmental, social, and gov-387 ernance (ESG) disclosure. This means that the greater the foreign ownership, the greater 388 the environmental, social, and governance (ESG) disclosure. This finding supports previ-389 ous research that concluded that foreign ownership significantly and positively affects 390 ESG disclosure (Guo and Zheng, 2021; Khan et al., 2012; Khlif et al., 2016; Masud et al., 391 2018; Bae et al., 2018; Amidjaya and Widagdo, 2020; Al Amosh and Khatib, 2021). How-392 ever, this finding is not in line with previous research that revealed foreign ownership has 393 a negative effect on ESG disclosure (Saini and Singhania, 2019; Sharma et al., 2020; Hasan 394 et al., 2022; Abu Qa'dan and Suwaidan, 2019). Furthermore, the results of this study do 395 not support the study by Yu and Luu (2021), which concluded that foreign ownership did 396 not impact ESG disclosure. This study supports the legitimacy theory. 397

The second hypothesis (H2) reveals that public ownership affects environmental, so-398 cial, and governance (ESG) disclosure. The results of this study indicate that public own-399 ership has a positive and significant effect on the environmental, social, and governance 400 (ESG) disclosure. Therefore, the second hypothesis is accepted. This finding supports 401 previous research by (Khan et al., 2012) that concluded that public ownership positively 402 affects corporate social responsibility disclosure (Khan et al., 2012). On the other hand, the 403 result did not agree with Nugraheni et al. (2022), who concluded that public ownership 404 does not impact corporate social responsibility disclosure. The finding of this study sup-405 ports the legitimacy theory. 406

The third hypothesis (H3) reveals that state ownership positively influences environ-407 mental, social, and governance (ESG) disclosure. However, the result research shows that 408 state ownership does not impact environmental, social, and governance disclosure. 409 Therefore, the third hypothesis was rejected. This finding does not support previous study 410 from Khlif et al. (2016); Al Amosh and Khatib (2021), who concluded that state ownership 411 has a significant positive effect the environmental, social, and governance disclosure. Fur-412 thermore, this result is not inline the study from Al-Janadi et al. (2016), who concluded 413 that state ownership negatively impacts voluntary disclosure. Therefore, this finding does 414 not support the stakeholder theory. 415

The fourth hypothesis (H4) states that family ownership positively affects environ-416 mental, social, and governance (ESG) disclosure. The result of this study is not supported. 417 The data analysis for hypothesis 4 (Figure 2 and Table 4) shows that family ownership 418 does not affect environmental, social, and governance disclosure. This result is in line with 419 the previous study (Salehi et al., 2017; Rudyanto, 2017; Masud et al., 2018, and Rees and 420 Rodionova 2014), which shows insignificant results. In addition, family ownership does 421 not affect sustainability reporting (Rudyanto, 2017; Masud et al., 2018) or does not influ-422 ence corporate social responsibility disclosure (Salehi et al., 2017). Also, Rees and 423 Rodionova (2014) found that family ownership negatively affects the quality of sustaina-424 bility reports. This study does not support stakeholder theory. 425

The fifth hypothesis (H5) states that environmental, social, and governance (ESG) 426 disclosure positively affects firm value. The result of this study shows that environmental, 427 social, and governance disclosure effects firm value. Therefore, the fifth hypothesis was 428 supported. This means that the higher the environmental, social, and governance (ESG) 429 disclosure, the higher the firm value. This result supports the previous research (Ferrell et 430 al., 2016; Aboud and Diab, 2018; Kim et al., 2018; Li et al., 2018; Shaikh, 2022; Yu et al., 431 2018) concluded that environmental, social, and governance disclosure positively and sig-432 nificantly affects firm value. However, this finding does not agree with previous studies 433 by Ahmad et al. (2021) and Aouadi and Marsat (2018) showed that environmental, social, 434

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and governance disclosure did not influence firm value. The finding of this study supports 435 stakeholder theory. 436

The sixth hypothesis (H6) reveals that environmental, social, and governance (ESG) 437 disclosure positively affects firm performance. The data analysis for hypothesis 6 from the 438 Figure 2 and Table 4 shows that environmental, social, and governance disclosure does 439 not affect firm performance. Therefore, the sixth hypothesis was rejected. This finding 440 does not support research from (Boulhaga et al., 2022; Brogi and Lagasio, 2018; Kumar 441 and Firoz, 2022; Mohammad and Wasiuzzaman, 2021) who concluded that environmen-442 tal, social, and governance disclosure effects have significant positive on firm perfor-443 mance. Furthermore, this result does not support the previous research (Buallay, 2019; 444 Duque-Grisales and Aguilera-Caracuel, 2019; Shaikh, 2022; Wasiuzzaman et al., 2022) con-445 cluded that environmental, social, and governance disclosure negatively impacts the firm 446 performance. This finding does not support stakeholder theory. 447

The seventh hypothesis (H7) states that audit committees moderate the relationship 448 between environmental, social, and governance disclosure and firm value. However, the 449 result research shows that environmental, social, and governance disclosure affects firm 450 value, and the audit committee moderates this influence. Therefore, the seventh hypothesis was accepted. The audit committee is a moderating variable on Environmental, social, 452 and governance disclosure influences and firm values that strengthen its relationship. 453 This finding supports agency theory. 454

The last hypothesis (H8) states that the audit committee moderates the relationship 455 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, 458 and governance disclosure on firm performance. Thus, audit committees do not act as moderating variables in this relationship. 460

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 0.32 466 for environmental, social, and governance disclosure, 0.27 for firm value, and 0.23 for firm 467 performance. This means that 0.32 of the environmental, social, and governance are influenced by foreign ownership, public ownership, state ownership, and family ownership, 469 while 0.68 of the variables are influenced by other variables outside the variables that have 470 not been studied in this study. An R^2 value of more than 0.5 indicates that the model has 471 good goodness of fit measure (Hair et al., 2019). 472

5. Conclusions

The findings of this study reveal that both foreign and public ownership have a pos-475 itive and significant effect on environmental, social, and governance (ESG) disclosure. 476 Foreign ownership plays a role in environmental, social, and governance disclosure be-477 cause it contributes to the process. This is in line with public ownership, which also plays 478 a role in environmental, social, and governance disclosure. Neither state nor family own-479 ership significantly influences environmental, social, and governance disclosure. Further-480 more, environmental, social, and governance disclosure positively and significantly affect 481 firm value. However, environmental, social, and governance disclosure do not signifi-482 cantly affect the firm performance. The audit committee moderates the influence between 483 environmental, social, and governance disclosure, and firm value. However, the audit 484 committee does not play a moderating role in influencing environmental, social, and gov-485 ernance (ESG) disclosure and firm performance. Overall, these findings prompt manag-486 ers to pay attention to social operations and good corporate governance that is environ-487 mentally friendly. The results are helpful for companies and the government as a 488 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 504 financial services authority (Otoritas Jasa Keuangan-OJK). The government must create 505 stronger environmental, social, and governance regulations that companies must apply, 506 especially those listed on the Indonesia Stock Exchange. However, a company's annual 507 report must disclose information related to corporate social responsibility (CSR) based on 508 the law from the financial services authority (Otoritas Jasa Keuangan-OJK). 509

Fourth, investors can assess the company's environmental, social, and governance 510 disclosure more accurately. As a result, investors have a significant role in supporting 511 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. 514

Limitations

This study has several limitations. The first limitation is related to weak secondary 517 data. Suggestions for further research would be to conduct research by obtaining primary 518 data. In addition, future researchers should conduct a qualitative study with interviews 519 with companies that have disclosed environmental, social, and governance information. 520 The second limitation is that the factors affecting environmental, social, and governance 521 disclosure in this study focus only on the ownership structure, including foreign, public, 522 state, and family ownership. Further research could use other variables, such as corporate 523 social responsibility, profitability, board independence, and corporate governance. The 524 third limitation of this research is related to the use of three theories: legitimacy, stake-525 holder, and agency theory. Future research could use different perspectives by using other 526 theories. The last limitation is that we use financial measurement, Return on Assets 527 (ROA), to measure the firm performance. Future researchers can use non-financial meas-528 urements, such as global economic policy uncertainty, political risk, governance quality, 529 etc. Athari (2021) showed empirical results that external governance mechanisms and 530 their dimensions, particularly political stability, regulatory quality, the rule of law, and 531 corruption control, positively impact the profitability of Islamic banks. Furthermore, the 532 results of this study showed that increasing the dimensions of external governance, espe-533 cially political stability, regulatory quality, the rule of law, and controlling corruption, 534 increase the profitability of Islamic banks (Athari and Bahreini, 2021). 535

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