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The Effect of Profitability, Risk, and Company Age on ESG Disclosure

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ABSTRACT
This study aims to determine the effect of profitability, risk, and company age on the ESG disclosure of manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The research uses quantitative methods and purposive sampling techniques with a sample of 41 companies that are included in the category of manufacturing companies. The processed data is secondary data from financial reports and sustainability reports obtained from the Indonesia Stock Exchange website and company websites. Data processing uses the IBM SPSS Statistics 28 application. The results show that company age has a positive and significant effect on ESG disclosure, while profitability has a negative and significant effect on ESG disclosure. Risk is known to have no significant effect on ESG disclosure.

Keywords: *ESG disclosure, profitability, risk, company age*

1. INTRODUCTION

Technological developments are factors that affect business activities around the world. Innovations in technology have a real impact on companies, both in developed and developing countries. Currently, companies can carry out the production process by utilizing technology-based tools such as machines, computers, and vehicles. The presence of technology provides an opportunity for companies to mass-produce and cheaply. The level of productivity increases and this allows the company to enjoy higher profits. On the other hand, consumers enjoy access and cheaper product costs so that the level of fulfilment of consumption and welfare can increase. On the other hand, increasing the company's production capacity in general has an impact on society and especially on the environment. The negative impact of the development of the manufacturing sector does not only stop at pollution. This heavy pollution then has an impact on the destruction of the habitat of biota in the river, because living things that live in the river cannot live properly under the water quality that is heavily polluted. In addition to river ecosystems, river pollution also has an impact on human life. The more polluted rivers, the less availability of clean water for the lives of Indonesian people. In addition, river pollution can cause air pollution that is disturbing to the surrounding community. River pollution can also cause a decrease in health levels due to the spread of bacteria and viruses. This is one of the factors that trigger collective concerns and encourage the public to seek solutions. The concept of environmental, sustainability, and governance (ESG) is closely related to non-financial factors related to environmental, social, and governance that can be implemented by organizations in their operational activities in order to create positive impacts on life.

The trend of increasing awareness and concern on environmental, social and governance (ESG) issues is already evident on a global scale. Environmental factors relate to the way a company uses energy, including the waste it produces. This factor is also related to the analysis of the impact created by the company's activities as a whole on environmental quality. Social factors relate to the way the company builds relationships with stakeholder groups, both those that are directly related to the company and those that do not have a direct relationship. The governance factor is related to the strategy taken by the company to fulfil its obligations while still paying attention to business ethics and applicable regulations.

The ESG trend occurs especially among investors who place their capital in companies in the hope of getting commensurate returns. In addition to financial returns, investors also pay attention to the non-financial aspects of the company. Investors want to invest in companies that create good change in the world. The trend of ESG-based investment has increased both on a national and global scale. The company began to involve itself in ESG activities and disclosures. The Indonesia Stock Exchange as the regulator of the Indonesian capital market supports the implementation of environmental, sustainability, and governance (ESG) standards in view of the prevailing practice standards abroad and investors' attention to the company's commitment to implementing responsible and sustainable business practices. Some companies perform comprehensive ESG disclosures, but a number of other companies have not optimally disclosed ESG.

1.1. Related Work

Sharma et al. (2020) [1] through his research aims to determine the effect of financial performance and company characteristics on the level of ESG reporting in public companies listed on the Bombay Stock Exchange India in 2013-2016. The study found that profitability as measured by return on assets and return on equity has a positive and significant effect on ESG disclosure, while the risk variable as measured by debt-to-equity ratio is known to have a negative and significant effect on ESG disclosure. Another study conducted by Kilic & Kuzey (2019) [2] shows that company size, company age, profitability, and company status are factors that have a positive and significant impact on environmental disclosures made by companies. The existence of differences between previous studies is the reason for conducting further research on the factors that have an influence on ESG reporting. According to previous literature, there exist differences in the effect of a number variables on ESG disclosure. Rahman & Alsayegh (2021) [3] examined the factors that influence ESG reporting in a number of public companies in the Asian region for the period 2005-2017. The results showed that financial performance, level of profitability, leverage, and company size have an influence on the company's commitment to ESG reporting. Companies with financial performance, profitability, high leverage and large size have a tendency to report ESG. The results of this study are different from the research of Sharma et al. (2020) [1] who found a negative and significant relationship between leverage and ESG disclosure. Dewi & Yasa (2017) [4] conducted a study to identify the effect of company size, profitability, industry type, and environmental performance on environmental disclosures made by companies. This study shows that company size, industry type, and environmental performance have a positive effect on environmental disclosure. Profitability is known to have a negative effect on environmental disclosure. This finding is different from the research of Roestanto et al. (2022) [5] who found a positive influence between profitability and ESG disclosure.

1.2. Our Contribution

Other previous studies considered a variety of independent variables that may determine the level of ESG disclosure of a company. This study will consider profitability, risk, and company age as independent variables. The variable of profitability uses return on equity (ROE) as proxy, while risk uses debt to equity ratio (DER). This paper fills the research gap through the combination of variable independents and specific samples from manufacturing companies listed on the Indonesia Stock Exchange (IDX) as the population. Manufacturing companies conduct production of goods that ultimately impact society, thus adding a reason to engage in and disclose ESG activities. The study takes into account data from 2018-2020 as the more companies began to publish ESG disclosure in the form of sustainability report. Findings from this study adds to the limited exposure towards Indonesian ESG disclosure trend.

1.3. Paper Structure

In this paper, Section 2 describes the preliminary theories used in this paper which include legitimacy and stakeholder theories. Independent variables, which are profitability, risk, and company age, and dependent variable will be described. The description is followed by hypotheses and conceptual framework. Section 3 describes the research method used in this study. Section 4 provides explanation on analysis findings. Finally, Section 5 concludes the study and suggestion for future research.

2. THEORETICAL REVIEW

2.1. Legitimacy Theory

The legitimacy theory proposed by Dowling & Pfeffer (1975) [6] which reveals that basically a company cannot stand alone. The existence of the company depends on the influence of the social system called society. Companies need to always carry out activities that are congruent with the values and norms accepted by the community. If there is a difference between the values, norms, and activities of the company and the community, there will be a threat to the legitimacy of the company. Gray et al. (1996) [7] suggested that the theory of legitimacy as a theory that describes how companies manage their activities by taking sides with external parties including the community. The elaboration of legitimacy theory explains that companies have an interest in adapting to society. The social contract between the company and the community creates obligations that must be fulfilled by the company. Therefore, from time to time the company will continue to strive to show efforts that are in favour of the community in order to gain legitimacy from the community. On the other hand, if the company does not reflect its commitment to carry out business activities in accordance with the values accepted by the community, the company will not accept the legitimacy of the community. This in turn can have a negative impact on the company. The company does not want to be in a threatened position, so the company will fulfil its obligations to gain legitimacy and survive in the long term. Through the theory of legitimacy, it can be found the relationship regarding the social contract between the company and the community. This relationship creates an interest for the company to fulfil its responsibilities and role for society. Companies that disclose ESG demonstrate the company's commitment to fulfilling social contracts with the community. Through the disclosure of ESG, the company declares the fulfilment of its responsibilities to the community. ESG disclosure is a tool that can show the company's efforts to improve the quality of people's lives and reduce the negative impact of business activities. The company always wants to adapt to the values, norms, needs and desires of the community. ESG disclosure is one way for companies to gain legitimacy from the public.

2.2. Stakeholder Theory

Stakeholder theory was originally developed by Freeman (1984) [8]. Freeman suggests the importance of values and morals in managing an organization. Stakeholder theory develops and becomes the basis used by organizations to carry out activities that accommodate all stakeholders. Stakeholder theory is one of the main theories in business ethics and is a widely used concept by organizations. Stakeholder theory can be used to understand the role of social responsibility as a company's efforts to fulfil its obligations to society as a whole, and not only limited to shareholders (Carroll, 1997) [9]. Carroll (1997) suggests that companies need to consider the interests of primary and secondary stakeholders. Parties included in the main stakeholder groups are individuals or groups who have direct relationships with the company, such as employees, customers and suppliers. Other stakeholders who do not have a direct relationship are included in the secondary stakeholder group, for example the community. Stakeholders can be a threat or an advantage to the company because each stakeholder has the ability to influence the company. The company will try to consider the interests of each stakeholder in making decisions, because the company needs positive support from all stakeholders. The company is expected to provide positive value to all stakeholders including the community, so that the company's existence can be assessed as good and well accepted in general. This can lead the company to a better direction because the company's existence is accepted and supported by the community. Therefore, the company will make decisions that provide added value to the community for the benefit and sustainability of the company itself in the community. Stakeholder theory shows the importance of good treatment of stakeholders in the interests of the company. Each stakeholder has influence over the company, and stakeholder groups can help or hinder the company from achieving its goals. The company certainly wants the alignment of every stakeholder. Therefore, companies also need to show efforts in paying attention to the needs and desires of stakeholders. Business processes according to ESG standards and ESG disclosure are efforts to show that the company considers the interests of the wider community. The company's concern for the environment and sustainability is a positive value for all stakeholders, both primary and secondary stakeholders. For investors, ESG reporting is a positive indicator of fulfilling responsibilities and can influence investment decisions. Companies that implement and report ESG practices have a better image and foster investor confidence in management's ability to create profits and maintain a decent standard of living for stakeholders. For the government, ESG disclosure adds insight into the company's level of compliance. The number of companies that report ESG becomes a benchmark for the government to assess compliance with ESG standards and becomes the basis for making policies that encourage increased implementation of ESG standards. For the public, the disclosure of ESG is tangible evidence of the company's efforts to maintain the environment and the quality of life of the community. The community is a stakeholder group consisting of a large number, and support from the community can lead the company in a better direction.

2.3. ESG Disclosure

Environmental, social, and governance disclosure, or environmental, social, and governance (ESG) disclosure is a report made by an organization regarding the environmental, social, and governance impacts that have been achieved. ESG disclosure is one of the communication tools that helps companies to explain the risks and opportunities they are facing. The company can give confidence to stakeholders about the company's commitment to create a positive impact. ESG disclosure is carried out by issuing a document containing qualitative and quantitative disclosures of the environmental, social, and governance pillars. Disclosure of ESG aspects can be measured by the ESG disclosure score. ESG disclosure score is a number that represents the level of ESG disclosure by a company (London Stock Exchange Group, 2020) [10]. The ESG disclosure score is an indicator that provides insight into the company's compliance and commitment in practicing ESG standards in operational activities. The higher the ESG disclosure score obtained by a company, the more ESG components are practiced and reported by the company. Companies with high ESG disclosure values are companies that uphold the implementation of ESG standards in their business. Stakeholders who have an interest in a company can make an assessment through the company's ESG disclosure practices. Furthermore, the ESG disclosure score can be used as the basis for making decisions that are directly related to the company. A common example is investment decisions made by investors by considering financial and non-financial information. Because the ESG disclosure score is known to have a positive relationship with a number of company performance indicators, the ESG disclosure score can be included in the consideration of decision making.

2.4. Profitability

Profitability is defined as the company's ability to earn profits through sales, assets, and company capital (Husnan, 2001) [11]. Return on equity (ROE) is one of the other financial ratios that is still included in the category of profitability ratios. In general, a higher ROE value reflects a better ability to generate profits. In other words, the company can make a satisfactory profit by using a certain amount of capital. The company conducts business activities more efficiently. A negative ROE indicates that the company is experiencing a loss, or that the company's capital is negative. The ROE value is obtained by dividing the net income (loss) by the company's total capital, and the ROE value is usually expressed as a percentage. ROE serves as an indicator that reflects the good or bad performance of the company. Through the value of ROE, stakeholders can understand the extent to which management is able to generate profits with the capital they have. A higher ROE value reflects a better ability to generate profits. In accordance with the concept of thought put forward in the theory of legitimacy, the company will try to fulfil its obligations in its social contract with the community to gain legitimacy from the community. The company has a goal to achieve maximum profit. Companies need acceptance and support from the community to survive and thrive. Therefore, ESG disclosure as an effort to fulfil corporate responsibility is carried out so that the company can operate with positive support from the community. Companies that can carry out their business activities in a conducive manner have the potential to make optimal profits. ROE is a useful financial indicator for company stakeholders because ROE is able to reflect how far the company's ability to operate efficiently using owner's capital. By knowing a company's ROE, stakeholders can make comparisons against other companies and make business decisions. Management that manages companies with high ROE have the flexibility to involve themselves in non-financial activities such as programs related to environmental, social and governance issues. Conversely, companies with low ROE are likely to direct their focus to increasing profitability in order to meet the interests of the owners of the company first. Such companies may not have the discretion to invest resources in activities related to ESG standards.

H_1: Profitability has a significant negative effect on ESG disclosure

2.5. Risk

Sassen et al. (2016) [12] interpret risk or risk as a potential loss to the value of the company caused by uncertainty about future results or events. Debt-to-Equity Ratio (DER) is a financial ratio that compares the proportion of a company's debt to capital or equity. The DER value is obtained by dividing the amount of debt owned by the company by the total company equity. The DER value of 1x reflects that for every 1 unit of currency of company debt, there is 1 unit of equity. In other words, the company has the same amount of debt and equity. Companies with a DER value of more than 1 are companies that have more debt than equity in their capital structure. Companies that have a positive DER value and below 1 are companies that have less debt than equity. DER can provide an overview of the company's financial health in general, along with the risks borne by the company. DER can provide an overview of the company's financial health in general, along with the risks borne by the company. Companies with a DER of more than 1 are companies that have more debt than capital. Therefore, a company with a DER of more than 1 has a higher responsibility and risk associated with its obligation to pay off debt and interest. If a company's DER level is below 1, this indicates that the company's total debt is lower than its capital and indicates that the company bears lower risk than companies with a DER value of more than 1. A positive DER and getting closer to 0 is the DER level of interest, because it shows the financial condition of the company with a lower level of debt. The company does not bear the burden of debt and interest that is too large, so the company has the flexibility to optimize productivity and profitability. Companies that use debt have obligations to stakeholders called creditors. Companies with high DER levels have a high burden, because the company needs to pay off debt and interest. Companies with high DER tend not to have the flexibility to invest in ESG standard business activities and report on ESG practices. In contrast, companies with low DER have a lower financial burden and higher flexibility to participate in business activities on a sustainable basis. This presentation is the basis for the conclusion that the relationship between DER and ESG disclosure is negative.

H_2: Risk has a significant negative effect on ESG disclosure

2.6. Company Age

The age of the company refers to the length of time the company operates which is calculated from the time the company starts operating. Companies that have been around for a long time, especially those that already have the status of a public company, will have higher demands to comply with applicable regulations. This includes demands for comprehensive disclosure of information, both mandatory information such as annual financial reports and voluntary disclosure of information. The company's stakeholders want the company to operate by prioritizing the values of transparency and accountability. The age of the company provides a reflection of the company's growth. Therefore, the age of the company can be a factor that affects disclosure. Companies with longer operating periods are considered as companies that have experienced further growth rates, so that stakeholders expect higher information disclosure compliance, including ESG disclosure. Companies with a longer age have a longer involvement with the community, so companies are more required to be able to prove their commitment to maintaining their legitimacy. Therefore, the longer the age of a company, the higher the company's efforts to demonstrate its commitment, including by implementing and reporting ESG.

H_3: Company age has a significant positive effect on ESG disclosure

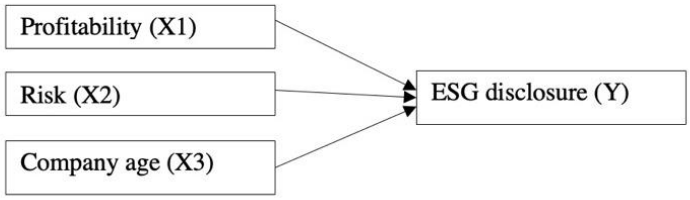

Figure 1. Research Framework

3. RESEARCH METHODS

This study uses a descriptive research design. Descriptive research is research that aims to test hypotheses and find a description of the characteristics of the phenomenon under study. Descriptive research is used for studies related to data collection and processing to gain new insights. The results of descriptive research are in the form of information that helps users gain deeper knowledge about the object of research, as well as the basis for making better decisions. This study uses quantitative analysis methods. Quantitative analysis method is a method related to the collection and evaluation of measurable data or numerical data. The quantitative analysis method can provide an overview of the various characteristics of the research object and test the hypotheses that have been proposed previously. The sampling technique used in this study was purposive sampling, one of the non-probability sampling techniques. This study tested three independent variables against one dependent variable. The three independent variables tested are profitability as measured by return on equity (ROE), risk as measured by Debt-to-Equity Ratio (DER), and company age. The independent variable will be examined to determine the effect on the dependent variable. This study uses the dependent variable ESG disclosure. The sample selection criteria used are (1) manufacturing companies listed on the Indonesia Stock Exchange from 2018-2020, (2) companies that issue sustainability reports in 2018-2020, (3) companies that record net income in 2018-2020 and (4) companies that issue financial statements in Rupiah. There are 41 companies that meet all the criteria and these companies are the sample in this study. This study will use a sample with the four criteria mentioned. Data from 41 companies that meet all the criteria will be collected and processed to find empirical evidence and the relationship between the independent variable and the dependent variable. Data analysis was carried out using the IBM SPSS Statistics 28 application.

ESG disclosure refers to the disclosures made by the company in accordance with the Global Reporting Initiative (GRI) standard. Companies that report on each aspect will be given a score of 1, then the total score for company disclosure is divided into the total required aspects of 117 aspects.

ESG disclosure score = Total ESG disclosure : 117

Profitability is measured by Return on Equity (ROE). ROE is the ratio of net income divided over total equity.

$$ROE = \frac{Net\ Income}{Total\ Equity}$$

Risk is measured by Debt-to Equity (DER). DER is the ratio of total debt divided over total equity.

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Company age shows how long a company has been established and operating in years. The measurement of the company age variable is carried out as follows

Age = 2022 - the year company was founded

Table 1. Results of The Proxy for Each Variables

Variables	***Scale***	***Measurement***	***Ref***
ESG disclosure	Ratio	total ESG disclosure: 117	[1]
Profitability	Ratio	$ROE = \frac{Net\ Income}{Total\ Equity}$	[11]
Risk	Ratio	$DER = \frac{Total\ Debt}{Total\ Equity}$	[12]
Company age	Ratio	2022 - the year company was founded	[2]

4. RESULTS

Observational data comes from 41 public manufacturing companies for the 2018-2020 period with a total of 123 data. The three independent variables used are profitability with return on equity (ROE) proxy, risk with debt-to-equity ratio (DER) proxy, and company age. The dependent variable in this study is ESG disclosure with the proxy ESG disclosure score. The independent variable X1 or profitability with a return on equity (ROE) proxy shows a minimum value of 0.03. The maximum value is 1.534, the mean (mean) of the studied sample is 0.1769 with a standard deviation of 0.2669. The independent variable X2 or risk with a debt-to-equity ratio (DER) proxy shows a minimum value of 0.1. The maximum value is 10.7, the mean (mean) of the studied sample is 1.408 with a standard deviation of 1.3104. The independent variable X3 or the age of the company shows a minimum value of 5. The company with the highest age is 107 years. The average value (mean) of the studied sample is 45.66 with a standard deviation of 21.719. The independent variable Y or ESG disclosure with the proxy ESG disclosure score shows a minimum value of 0.0628 and a maximum value of 0.8581. The average value (mean) of the studied sample is 0.4892 with a standard deviation of 0.1903.

Four types of classical assumption test used in this study are normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The results of the Kolmogorov-Smirnov One Sample normality test are 0.200 which is greater than the 0.05 significance level, proving that the data used in the study has a normal distribution. The results of the multicollinearity test have tolerance values of 0.448, 0.998, and 0.470 for X1, X2, and X3. The VIF value of each independent variable is 2.223, 1.002, and 2.231. The research regression model is free from multicollinearity. The results of the heteroscedasticity test are indicated by the value of Sig. on each of the independent variables profitability (X1), risk (X2), and company age (X3) of 0.390, 0.377, and 0.140 which is greater than the 0.05 significance level and indicates that the regression model in the study is free from heteroscedasticity. The autocorrelation test with the Durbin-Watson test is worth 1.760 indicating that the regression model in the study is free from autocorrelation.

This study's correlation value (R) is 0.877, closer to one than zero, meaning there is a reasonably strong correlation between the independent variables and dependent variable. The coefficient of determination (Adjusted R^2) of 0.764 or 76.4% means that all independent variables, namely profitability, risk, and company age affect the dependent variable of ESG disclosure by 76.4%. The dependent variable of ESG disclosure 23.6% is influenced by other variables not examined in this study.

Table 2. Results of Multiple Regression Analysis

Variable	***Unstandardized Coefficients***		***Standardized Coefficients***		
	B	***Std. Error***	***Beta***	***t***	***Sig.***
(constant)	.105	.024		4.328	.000
X1	-.173	.047	-.242	-3.683	.000
X2	-.002	.006	-.019	-0.368	.714
X3	.009	.001	1.044	1.569	.000

Source: SPSS 28 data processing result

Based on the data from Table 2, the regression equation is as follows:

$$Y = 0{,}105 – 0{,}173\ X1 – 0{,}002\ X2 + 0{,}009\ X3 + \varepsilon$$

Note:
Y : ESG disclosure
X1 : Profitability
X2 : Risk
X3 : Company age
ε : Error term

4.1. Effect of profitability on ESG disclosure

The test results show the coefficient value of -0.173 and the t-test significance value of 0.000. The coefficient value -0.173 with a negative sign, states that the independent variable profitability has a relationship in the opposite direction to the dependent variable ESG disclosure. If the value of the independent variable profitability increases, then the value of the dependent variable ESG disclosure will decrease. Conversely, if the value of the independent variable profitability decreases, then the value of the dependent variable ESG disclosure will increase. The significance value of 0.000 is lower than the 0.05 significance level and provides an understanding that profitability has a significant effect on ESG disclosure. This test is the basis for the conclusion that Ha1 is rejected. Ha1 states that there is a positive influence between profitability and ESG disclosure. The results show that the independent variable profitability is known to have a negative and significant effect on the dependent variable of ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The results of this study are in accordance with the results of research conducted by Dewi & Yasa (2017) [4], but contradict the previous research conducted by Sharma et al. (2020) [1] and Rahman & Alsayegh (2021) [3] which showed a positive influence between profitability and ESG disclosure.

4.2. The effect of risk on ESG disclosure

The test results show the coefficient value of -0.002 and the t-test significance value of 0.714. The coefficient value -0.002 with a negative sign indicates that the independent variable risk has the opposite relationship with the dependent variable ESG disclosure. If the value of the independent variable risk increases, then the value of the dependent variable ESG disclosure will decrease. Conversely, if the value of the independent variable risk decreases, then the value of the dependent variable ESG disclosure will increase. The significance value of 0.714 is greater than the 0.05 significance level and provides an understanding that risk has no significant effect on ESG disclosure. This test is the basis for the conclusion that Ha2 is rejected. The independent variable risk is known to have no significant negative effect on the dependent variable of ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The results of this study are different from previous research conducted by Sharma et al. (2020) [1] proves that there is a negative influence between risk on ESG disclosure. The effect of risk with debt to equity ratio proxy on ESG disclosure which is not negative and significant can be understood by stakeholder theory. Companies with financial obligations may choose to prioritize debt and interest payments over ESG disclosures. Companies also have other options to make comprehensive ESG disclosures to enhance reputation, prove commitment to stakeholders, or for other purposes. Flexibility in decision making causes no direct (negative) and significant influence between risk and ESG disclosure to be found.

4.3. The effect of company age on ESG disclosure

The test results show the coefficient value of 0.009 and the t-test significance value of 0.000. The coefficient value of 0.009 with a positive sign, states that the independent variable of company age has a direct relationship with the dependent variable of ESG disclosure. If the value of the independent variable of company age increases, the value of the dependent variable of ESG disclosure will increase. On the other hand, if the value of the independent variable of company age decreases, the value of the dependent variable of ESG disclosure will decrease. The significance value of 0.000 is lower than the 0.05 significance level and provides an understanding that the age of the company has a significant effect on ESG disclosure. This test is the basis for the conclusion that Ha3 is accepted. The independent variable of company age is known to have a positive and significant effect on the dependent variable of ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The results of this study are in accordance with previous research conducted by Kilic & Kuzey (2019) [2] and Roestanto et al. (2022) [5] which shows a positive influence between the age of the company on ESG disclosure.

5. CONCLUSIONS

This study was conducted to examine and obtain empirical evidence regarding the effect of profitability, risk, and company age on ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. This study uses secondary data derived from financial reports, annual reports, and sustainability reports published by companies that are accessed through the Indonesia Stock Exchange website and the company's official website. This study uses purposive sampling data collection techniques with predetermined criteria. 41 companies met all the criteria set and provided 123 data that could be tested. Data processing was carried out with the Microsoft Excel 2022 application while the testing was carried out with the IBM SPSS Statistics 28 application.

The test results show that profitability has a negative and significant effect on ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The test results contradict Ha1 which states that profitability has a positive effect on ESG disclosure, so Ha1 is rejected. The negative and significant effect between profitability and the proxy of return on equity and ESG disclosure can be understood through legitimacy theory. The company is involved with social contracts and always strives to fulfil its obligations in order to gain legitimacy from the community. Companies with low levels of profitability have a higher urgency to carry out activities that can benefit the community so that stakeholders continue to view the company in a favourable light. ESG disclosure is an effort that can be done by management to attract investors' attention. It is intended that investors remain interested in investing in the company even though the company does not generate satisfactory profits. ESG disclosure is the company's effort to show the company's commitment to the wider community so that the company's existence can be accepted.

Risk is known to have no significant negative effect on ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020 so Ha2 which states that risk has a negative effect on ESG disclosure is rejected. The effect of risk with debt-to-equity ratio proxy on ESG disclosure which is not negative and significant can be understood by stakeholder theory. The Company has relationships with various stakeholders, both internal and external stakeholders. Companies that have debt are obliged to pay debts and interest on a timely basis. The need to pay debts and disclose ESG practices to the public are two options that require company resources, time, money and manpower. The company is faced with two groups of stakeholders who have different desires. Creditors want their debts to be paid on time by the company. Communities want company commitments that provide benefits such as ESG activities and reporting. Companies with financial obligations may choose to prioritize debt and interest payments over ESG disclosures. Companies also have other options to make comprehensive ESG disclosures to enhance reputation, prove commitment to stakeholders, or for other purposes. Flexibility in decision making causes no direct (negative) and significant influence between risk and ESG disclosure to be found.

Company age is known to have a positive and significant effect on ESG disclosure in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The test results are in accordance with Ha3 which states that the age of the company has a positive effect on ESG disclosure, so Ha3 is accepted.

This study has a number of limitations that can be reviewed for future research. Limitations in this study include (1) the limited research period for 3 years from 2018 to 2020, (2) the sample criteria are large enough so that the sample selection is limited to 41 companies, and (3) the scope of independent variables is limited to profitability, risk, and age of the company, without considering other variables that can have an influence on ESG disclosure.

This research suggestion is addressed to readers and research users to develop insight on the topic of ESG disclosure. This research is a reference that can be used for future research. Future research can consider observation periods in different and or longer periods of time. Further research can use a sample whose scope is more specific than the selection criteria for this research sample which only includes manufacturing companies listed on the Indonesia Stock Exchange. An example is the use of a sample of manufacturing companies that focus on the cigarette, consumer goods, or chemical sub-sectors. Research with a more diverse sample can provide more representative information on the topic of ESG disclosure. The use of different independent variables can also be considered in further research in order to be able to provide a better picture of the topic of ESG disclosure. Examples of independent variables that can be used are market performance, company size, type of industry, and company status as a public company. The suggestions given are expected to help develop an understanding of ESG reporting by companies in Indonesia.

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