Do or Don’t: Focus on Critical Issues of Environmental Social Governance Disclosure in Singapore, Malaysia, and Indonesia

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Abstract. Environmental Social Governance (ESG) refers to a collection of corporate performance evaluation criteria that assess the robustness of corporate governance mechanisms and their ability to effectively manage their environmental and social impacts. This study aims to determine whether the variables of influence of industry type, profit quality, managerial ownership, and foreign ownership have a simultaneous or partial effect on ESG disclosures in consumer cyclical sector companies listed on the Stock Exchange of several countries in Singapore, Malaysia, and Indonesia for the 2020-2022 period as many as 23 companies. Data testing techniques use classical assumption tests, multiple linear regression tests, determination tests, and hypothesis tests. The results showed that simultaneously, the variables of the industry type, profit quality, managerial ownership, and foreign ownership significantly influenced ESG disclosures in consumer cyclical sector companies listed on the Stock Exchange of several countries in Singapore, Malaysia, and Indonesia for the 2020-2022 period. The industry type variable partially does not affect ESG disclosure, and the profit quality variable does not affect ESG disclosure. In contrast, the managerial ownership and foreign ownership variables affect ESG disclosure.

1 Introduction

In principle, ESG is a commitment or social responsibility of the company to be responsible for the environment, society, and governance of stakeholders [1], [2]. A review of ESG in Singapore, Malaysia, and Indonesia is important because the regulations on ESG and its implementation are still encountering obstacles. These obstacles can be viewed in terms of supervisory regulations on ESG implementation in Singapore, Malaysia, and Indonesia [3]. Based on existing regulations, it does not necessarily make companies carry out ESG reporting [4]. Therefore, the government issued a program related to environmental management, namely PROPER. As a result of this PROPER assessment, the company will get a reputation/image from its environmental management [5].

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The purpose of ESG disclosure is basically to gain a competitive advantage among companies, to meet the need for public expectations, to legitimize the actions of companies, and to attract investors. The way to measure current ESG performance is through reports on its activities, namely by the content analysis method. ESG performance measurements included in the annual report required information reference [6]. Research shows that there are still many companies in the consumer cyclical sector that have not implemented ESG principles, even though this sector includes companies that produce or distribute products and services, in general, to be sold to consumers but for goods that are secondary in nature, so it needs to be supported by the continuity of their companies because they provide many benefits and can improve the country's economy for the better [7].

![Company ESG Scores by Sector in Asia Pacific](image1)

Source: PineBridge Investments (2023)

**Fig. 1.** Company ESG Scores by Sector in Asia Pacific

Social enterprises are able to produce waste from their operational activities, which has the potential to pollute or damage the environment, especially companies that produce finished or semi-finished goods. The following is data on the amount of waste and pollution in the world in the last 4 years. It can be seen in the graph below that countries in Asia Pacific show the highest levels of producing consumer cyclical sector company waste.

![Waste Quantity in Various Regions](image2)

Source: Global Market Insight (2023)

**Fig. 2.** Waste Quantity in Various Regions.

Research from the Center for Governance, Institutions, and Organizations, National University of Singapore (NUS) Business School, which conducted a study of 100 consumer cyclical companies in four countries, namely Indonesia, Malaysia, Singapore, and Thailand,
showed that Thailand has much higher quality than other countries, so the author focuses on research in Indonesia, Malaysia, and Singapore [8].

Figure 3 shows that there are still many companies in the consumer cyclical sector that have not implemented ESG principles in CSR disclosures. This shows that companies in the consumer cyclical sector are not yet open to the importance of implementing the principles of environmental conservation, social responsibility, and good governance.

Research related to corporate ESG disclosures shows that several factors can influence ESG disclosure, including industry type, profit quality, managerial ownership, and foreign ownership [9]–[12]. This study aims to provide detailed information related to what factors can be considered by stakeholders related to ESG reporting, which hopefully can be useful for the company's value in the future.

This research took samples in several countries of Singapore, Malaysia, and Indonesia because Singapore, Malaysia, and Indonesia are developing countries that already care about the progress of their companies, which is not seen only from the profits obtained but also from the environment, social, and governance of their governments as well [13], [14]. The method used in this study is a multiple regression analysis method and uses the IBM SPSS version 25 test tool [15].

2 Literature Review

Several definitions of environmental social governance disclosure have been provided in the literature. ESG disclosure is a process of disclosing information, including messages, interactions, and relationships between the company and stakeholders regarding the social and environmental impacts of a company's economic activities. ESG is an activity carried out by a company to report corporate social and environmental responsibility for the company's operating activities to the community and its stakeholders [16]–[18]. The existence of environmental, social, and governance and environmental activities in a company certainly has certain objectives, namely: Cause Promotions, Cause-Related Marketing, Corporate Social Marketing, Corporate Philanthropy, Community Volunteering, Social Responsible Business Practice [19], [20].

The type of industry is a company that has characteristics in terms of business, business risk, environment, and employees. Industrial types can be classified into high-profile and low-profile. The influence of industry types on ESG disclosure shows that companies with
high-profile criteria get a lot of attention because they engage with many stakeholders, so ESG disclosure is an effective communication tool. High-profile companies are considered to be able to cause a greater impact on society and the surrounding environment compared to low-profile companies. The theory of legitimacy is the basis for explaining the relationship between the type of industry and ESG disclosure. The company's operations have an impact on the environment, society, and the community, so the company needs to carry out ESG activities to reduce conflicts and gain legitimacy from the community. The results of the research support the existence of a positive relationship between the type of industry and the disclosure of ESG. Based on the theory and the results of previous studies, the hypotheses proposed in this study are [12], [19], [21]–[23].

H1: Industry Type affects Environmental Social Governance (ESG)

The quality of profit is a comparison to examine whether the profit generated is what was planned. This is seen from the higher the profit, the more the quality of profit has approached the target that has been set. ESG is a company commitment that can affect the company's sustainable economic development, especially in the balance between economic, social, and environmental aspects. Therefore, ESG is related to the quality of profits. Users of financial statements have the right to know whether the company's financial statements are of good quality or not. Based on the theory of legitimacy, the survival of the enterprise depends on its relationship with society. If there is an imbalance between the value system of the company and the value system of society, then the company will lose its legitimacy [24], [25].

The higher the quality of the company's profit (one of which is reflected in the ratio of cash to current assets), the more funds are available to the company to finance its operations and investments, thus causing investors' perceptions of the company's performance to increase. The high level of profit quality can also illustrate that the company has a good performance that makes it easier for the company to fulfill its obligations and also affects the size of ESG disclosures. The results of previous research on the quality of profits on ESG disclosures were carried out by showing that the quality of profits has a negative and insignificant effect on ESG disclosures. Based on the description above, the hypotheses proposed in this study are: [26], [27].

H2: The quality of profit affects Environmental Social Governance (ESG)

Managerial ownership is a condition that shows that the management owns shares in the company and has a contribution and influence in decision-making related to the company. In deciding within the company, the manager can act on behalf of his interests or the interests of stakeholders. Sometimes, there are mistakes when managers make decisions that are related to the decisions that have been made that will provide benefits or vice versa, which affects their reputation as managers [28], [29].

Judging from the theory of stakeholders, the greater the managerial ownership in the company, the greater the pressure to disclose the environment, society, and governance. The results of previous research conducted by the results found that managerial ownership factors influence ESG disclosure. According to the theory and research results, the greater the managerial ownership, the greater the ESG disclosure carried out. This means that with the ownership of shares by the management, the management will actively participate in various decision-making. Based on the description above, the researcher proposes the following hypothesis: [30], [31].

H3: Managerial ownership affects environmental, and social governance (ESG)

Foreign share ownership is one of the company's stakeholders that is the target of ESG disclosures. ESG disclosure is one of the means chosen by the company to express the company's concern for the community. Based on the theory of stakeholders, high foreign ownership in a company will make managers try to make high ESG disclosures as well because foreign ownership in a company is a party that is considered concerned about ESG
disclosures. This is proven based on previous research that in the environmental aspect, the achievements of multinational companies based in Indonesia outperform domestic companies in terms of the environment [32], [33].

The results of previous research on foreign ownership in the face of ESG were carried out by stating that foreign ownership has a positive effect on ESG disclosure. This is in line with the theory of stakeholders who state that the higher the foreign ownership in the company, the greater the ESG disclosure made by the company. Management will be encouraged to disclose ESG because foreign ownership in the company is considered to be concerned about the disclosure of corporate social responsibility. Based on the theory and the results of previous studies, the hypotheses proposed in this study are [31], [34]

H4: Foreign ownership affects environmental social governance (ESG)

Industry type, profit quality, managerial ownership, and foreign ownership are measuring tools to find out whether a company has implemented ESG disclosures. The type of industry that has the criteria of high profile, good profit quality, as well as managerial ownership, and high foreign ownership is an assessment that a company has made ESG disclosures. Based on the theory of stakeholders, the company holds environmental, social, and governance by considering stakeholders other than shareholders. Companies must be able to maintain ties with stakeholders, one of which is by implementing and disclosing ESG by the provisions. Based on the theory of legitimacy, one of the ways that the company can be accepted by the community is to carry out ESG so that every company activity gets support from the community. Based on the description above, the researcher proposes the following hypothesis: [35], [36].

H5: Industry type, profit quality, managerial ownership, and foreign ownership affect simultaneous ESG disclosure.

3 Methods

The sample is part of the number and characteristics possessed by the population. The sampling procedure used in this study was a purposive sampling technique. The purposive sampling technique is a sample determination technique with certain considerations. The sample criteria used in this study are as follows:

1. Consumer cyclical sector companies listed on the Bursa Singapore, Malaysia, and Indonesia in the period 2020-2022 consecutively.
2. Consumer cyclical sector companies that publish complete annual reports during the period 2020-2022 in a row.
3. Consumer cyclical sector companies that include information on the environment, social, and governance (ESG) of the company in the period 2020-2022 in a row.
4. Consumer cyclical sector companies that present complete data by the variables studied are related to industry type, profit quality, managerial ownership, and foreign ownership.
Table 1. Company Sample Calculation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer cyclical sector companies listed on Singapore, Malaysia, and Indonesia stock markets in the period 2020-2022</td>
<td>281</td>
</tr>
<tr>
<td>Consumer cyclical sector companies that do not publish a complete annual report during the period 2020-2022</td>
<td>(98)</td>
</tr>
<tr>
<td>Companies that do not include information regarding corporate social responsibility (ESG) in the period 2020-2022</td>
<td>(109)</td>
</tr>
<tr>
<td>Companies that do not present complete data by the variables studied are related to industry type, profit quality, managerial ownership, and foreign ownership.</td>
<td>(51)</td>
</tr>
<tr>
<td>Companies that meet the criteria</td>
<td>23</td>
</tr>
<tr>
<td>Number of samples of the company during 2020-2022 (23 companies x 3 years)</td>
<td>69</td>
</tr>
</tbody>
</table>

A research variable is an attribute trait or value of a person, object, or activity that has certain variations set by the researcher to study and then draw conclusions [37].

This study relied on the content analysis method to analyze the factors influencing environmental social governance disclosure. In assembling the data for content analysis, the data from the financial statements of the 23 companies from three countries with the scope of Consumer Cyclicals represent each variable in this study. This study relied on the statement of profit and loss and sustainability report to obtain the data for the analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Type</td>
<td>Variable dummy:</td>
<td>Nominal</td>
</tr>
<tr>
<td></td>
<td>1 = Companies that belong to the high-profile type</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0 = Companies that fall into the low-profile</td>
<td></td>
</tr>
</tbody>
</table>
| Earnings Quality          | \[
|                           | \frac{\text{Net Profit}}{\text{Operating Cash Flow}}                     | Ratio |
| Ownership Managerial      | \frac{\text{The number of management shares}}{\text{The total number of shares}} \times 100\% | Ratio |
| Foreign Ownership         | \frac{\text{The number of foreign shares}}{\text{The total number of shares}} \times 100\% | Ratio |
| Environmental Social      | \frac{\text{ESG Disclosure Value}}{\text{Maximum Total Disclosure}} \times 100\% | Ratio |
4 Results and Discussion

4.1 Results

Descriptive statistical analysis is used to provide an overview or description of data seen from the minimum, maximum, mean, and standard deviation values of dependent variables, namely ESG disclosures and independent variables consisting of the industry type, profit quality, managerial ownership, and foreign ownership. The tests in this study used IBM SPSS version 25. From the results of processing descriptive statistical data, the output is obtained, as shown in the table below.

<table>
<thead>
<tr>
<th>Table 2. Descriptive Statistical Analysis Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Descriptive Statistics</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Industry Type</td>
</tr>
<tr>
<td>Profit Quality</td>
</tr>
<tr>
<td>Managerial Ownership</td>
</tr>
<tr>
<td>Foreign Ownership</td>
</tr>
<tr>
<td>ESGD</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>

Source: IBM SPSS Output, Data Processed by Author (2023)

The table shows that N or the number of observations on consumer cyclical sector companies listed on the Singapore, Malaysia, and Indonesia Exchanges for the period 2020-2022 in this study as many as 69 data. In addition, it can also be explained that:
1. Industry type has the highest value (max) of 1 and the lowest value (min) of 0.
2. The quality of profit has the highest value (max) of 41.46 and the lowest value (min) of -22.10.
3. Managerial ownership has the highest value (max) of 0.21 and the lowest value (min) of 0.
4. Foreign ownership has the highest value (max) of 0.83 and the lowest value (min) of 0.
5. ESG disclosure is measured by 91 items of disclosure of the GRI G4 index. It can be seen that ESG disclosures have the highest value (max) of 21 and the lowest value (min) of 0.04.

4.2 Reporting Research Results

Regression analysis is an analysis that measures the strength of the relationship between two or more variables. In addition, regression analysis also shows the direction of the relationship between independent variables and dependent variables [38]. In this study, multiple linear regression analysis was used to determine the direction of the relationship between independent variables, namely ESG disclosure, and dependent variables, namely industry type, profit quality, managerial ownership, and foreign ownership. The following are the results of the multiple linear regression analysis contained in this study:
Based on the results of the multiple linear regression test contained in the table above, it produces the following linear equation:

$$Y = 0.076 - 0.001(X1) + 0(X2) + 0.459(X3) + 0.042(X4) + e$$ (1)

Information:

- **Y** = ESG Disclosure
- **X1** = Industry Type
- **X2** = Profit Quality
- **X3** = Managerial Ownership
- **X4** = Foreign Ownership

The following are the results of the multiple linear regression analysis contained in this study:

1. The constant of 0.076 explains that if all independent variables, namely industry type, profit quality, managerial ownership, and foreign ownership, have a value of zero, then the value of the dependent variable, namely ESG disclosure, will remain at 0.076.
2. The value of the industrial type variable regression coefficient is -0.001, which explains that if the industrial type increases by one unit, the ESG disclosure will decrease by 0.001. A negative value coefficient means that there is a negative relationship between the industry type and ESG disclosure.
3. The value of the profit quality regression coefficient is 0, which explains that if the quality of profit increases by one unit, ESG disclosure does not increase or decrease.
4. The value of the regression coefficient of the managerial ownership variable is 0.459, which explains that if managerial ownership increases by one unit, ESG disclosures will increase by 0.459. A positive value coefficient means that there is a positive relationship between managerial ownership and ESG disclosure.
5. The value of the regression coefficient of the foreign ownership variable is 0.042, which explains that if foreign ownership increases by one unit, ESG disclosure will increase by 0.042. A positive value coefficient means that there is a positive relationship between foreign ownership and ESG disclosure.
Table 4 shows that the coefficient of determination of the independent variable obtained from the Adjusted R Square value is 0.318. This means that all independent variables, namely industry type, earnings quality, managerial ownership, and foreign ownership, can simultaneously explain CSR disclosure, namely 31.8%, and the remaining 68.2% is explained by other variables outside the independent variables in this research.

4.3 Discussion

Based on the results of research obtained through various tests, it can be interpreted that the influence of industry type, profit quality, managerial ownership, and foreign ownership on ESG disclosure is as follows:

1. The Effect of Industry Type on ESG Disclosure
   The results of hypothesis testing through the t-test showed that the industrial type has a calculated value of < table, namely -0.099 < 2.000 and a significance value of 0.922 > 0.05. Based on these results, industry-type variables do not have a significant effect on ESG disclosures in consumer cyclical sector companies. The value of the coefficient of determination (R2) obtained a result of 0.002 this indicates that 0.2% of ESG disclosures are influenced by industry-type variables, while 99.8% are influenced by other variables that are not calculated in this hypothesis test.

2. Effect of Profit Quality on ESG Disclosures
   The results of hypothesis testing through the t-test showed that the quality of profit had a calculated value of < table, namely -0.208 < 2.000 and a significance value of 0.836 > 0.05. Based on these results, the variable quality of profit does not have a significant effect on ESG disclosures in consumer cyclical sector companies. The value of the coefficient of determination (R2) obtained a result of 0.001. This indicates that 0.1% of ESG disclosures are influenced by the profit quality variable, while 99.9% are influenced by other variables that are not calculated in this hypothesis test.

3. Effect of Managerial Ownership on ESG Disclosures
   The results of hypothesis testing through the tests that managerial ownership has a calculated value of > table is 5.764 > 2.000 and a significance value of 0.000 < 0.05. Based on these results, managerial ownership variables have a significant effect on ESG disclosures in consumer cyclical companies. The value of the coefficient of determination (R2) obtained a result of 0.303. This indicates that 30.3% of ESG disclosures are influenced by managerial ownership variables, while 69.7% are influenced by other variables that are not calculated in testing this hypothesis.

4. The Effect of Foreign Ownership on ESG Disclosures
   The results of hypothesis testing through tests that foreign ownership had a calculated value of > table is 2.325 > 2.000 and a significance value of 0.023 < 0.05. Based on these results, the foreign ownership variable has a significant effect on ESG disclosures on per. The value of the coefficient of determination (R2) obtained a result of 0.003. This
indicates that 0.3% of ESG disclosures are influenced by foreign ownership variables, while 99.7% are influenced by other variables that are not calculated in testing this hypothesis.

5. Influence of Industry Type, Profit Quality, Managerial Ownership, and Foreign Ownership on ESG Disclosure

The results of the research that has been carried out using simultaneous tests reveal that all independent variables, namely industry type, profit quality, managerial ownership, and foreign ownership, simultaneously have a significant influence on ESG disclosures in the consumer cyclical sector companies listed on the Stock Exchange of several countries in Singapore, Malaysia, and Indonesia for the 2020-2022 period. This statement is based on the value of the coefficient of $F_{\text{counting}} > F_{\text{table}}$, which is $8.461 > 2.525$ and a significance of $0.000 < 0.05$. The value of the coefficient of determination ($R^2$) was 31.8%, while the remaining 68.2% were influenced by other factors that were not analyzed in this study.

5 Conclusion

Based on the results of data analysis regarding "The Influence of Industry Type, Profit Quality, Managerial Ownership, and Foreign Ownership on ESG Disclosures in consumer cyclical sector companies listed on the Singapore, Malaysia, and Indonesia Stock Exchanges for the period 2020-2022" the following conclusions can be drawn:

1. The results of partial industrial-type testing do not affect ESG disclosure.
2. The results of the partial profit causality test do not affect ESG disclosure.
3. The results of the managerial ownership test partially had a 30.3% effect on ESG disclosures.
4. The results of the foreign ownership test partially had a 0.3% effect on ESG disclosures.
5. The results of the testing industry type, profit quality, managerial ownership, and foreign ownership simultaneously had a 31.8% effect on ESG disclosures.

6 Limitation

Based on the researcher's direct experience in the research process, there are some limitations experienced and can be several factors that can be given more attention to future researchers in further refining their research because this research itself certainly has shortcomings that need to be improved in research. Some of the limitations in this study, among others:

1. The number of financial reports and sustainability reports that are not many, of course, is still not enough to describe the real situation.
2. The calculation of the Environmental Social Governance score is still done manually; it would be nice to have used a tool to make it more effective and efficient.
3. In the data collection process, the information provided by the company often does not follow GRI standards, making it difficult for researchers to determine an accurate score.

This research has many limitations, but you only need to discuss limitations that are directly related to your research problem. For example, if conducting a meta-analysis of secondary data has not been stated as a goal of your research, then it does not need to be stated as a limitation of your research. Equations and mathematics should be centered and should be numbered with the number on the right-hand side.
Acknowledgment

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