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# Can ESG Policy Become the Sustainability Catalyst of Company Performance During Covid-19 Pandemic?

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**ABSTRAK**

*Penelitian ini dilakukan untuk melihat pengaruh kebijakan Environment, Social, and Governance (ESG) terhadap kinerja perusahaan selama pandemi Covid-19. Diharapkan pengaruh tersebut dapat menjadi pertimbangan, baik bagi prinsipal (perusahaan) maupun agen untuk mengembangkan suatu kebijakan di masa pandemi, terutama terkait dengan kebijakan ESG. Studi tentang pengungkapan ESG bertujuan untuk memverifikasi apakah kebijakan yang diproksikan dengan pengungkapan Global Reporting Initiative (GRI) standar dalam laporan keberlanjutan, mempengaruhi kinerja perusahaan, yang diproksikan dengan rasio Tobin's Q, sebagai ukuran untuk menemukan respon pasar. Studi ini didasarkan pada urgensi bahwa pandemi mengubah pandangan investor tentang perusahaan. Selanjutnya, lingkungan bumi mengalami perubahan drastis selama pandemi. Penulis gagal memverifikasi H1 atau pengaruh pengungkapan ESG terhadap kinerja perusahaan. Di sisi lain, H2 dan H3, termasuk variabel kontrol, secara signifikan mempengaruhi kinerja perusahaan. Independensi Direksi dan Dewan Komisaris juga memiliki pengaruh yang signifikan namun negatif. Bagi perusahaan, studi ini memiliki implikasi praktis di mana pengungkapan kebijakan ESG tidak signifikan karena pola pikir manajemen, yang masih berfokus pada kondisi jangka pendek. Oleh karena itu, perlu untuk mengembangkan rencana strategis jangka panjang dengan mempertimbangkan faktor keberlanjutan.*

*Kata Kunci:*
*Environment; Social; and Governance (ESG); Pandemi Covid -19; Kinerja Perusahaan*

**ABSTRACT**
This study is conducted to discover the influence of environmental, social, and governance (ESG) policy on company performance during the Covid-19 pandemic. Both the company principal and agent are expected to consider the impact of developing a policy during the pandemic, especially concerning ESG policy. The ESG disclosure study aims to verify whether the policy, which is proxied with standard Global Reporting Initiative (GRI) disclosure in the sustainability report, influences company performance, which is proxied with Tobin's Q ratio as a measure to discover the market response. It is founded on the urgency that the pandemic alters investors' views about the company. This research failed to verify H1 or the influence of ESG disclosure on company performance. On the other hand, H2 and H3, including control variables, significantly influence company performance, as well as the Independence of the board of directors (BoD) and board of commissioners (BoC), which also have a significant but negative influence. This study has practical implications in which disclosure of ESG policy does not significantly influence company performance due to the management mindset, which still focuses on short-term conditions. It is thus necessary to develop a long-term strategic plan while taking sustainability into account.

*Keywords:*
*Environment; Social; Good Corporate Governance; Covid-19 Pandemic; Company Performance*

## INTRODUCTION

Covid-19 pandemic, which happened globally for almost 2 years, changes all aspects of human life, from social, economics, education, health, to environment. Not all countries are prepared to face it, but the these last 2 years encouraged every stakeholder to be agile in maintaining their activities in the present condition. For example, Singapore has already applied a policy to face Covid-19 virus as an endemic, similar to common flu (Nurdiana, 2021). This is undoubtedly followed by the increase of vaccination rates and, in particular, battle weariness among the society (Xinghui, 2021; Yuen-C, 2021). Essentially, the pandemic cannot be separated from human activities, including business establishments in non-renewable energy sector who conduct mass deforestation (Rosenberg, 2020). Marco Lambertini (WWF Director General), Elizabeth Maruma Mrema (UN Executive Secretary), and Maria Neira (Director of Department of Environment, Climate Change and Health at WHO) warned how a number of diseases, ranging from Zika, AIDS, Nipah virus, SARS, to Ebola, shift from animals to humans when environmental disasters occur. They believe that depraved relationship between nature and human being (including mass deforestation, wildlife trade, and animal husbandry) can cause more pandemic in the future (Lambertini et al., 2020).

On the other hand, the pandemic has raised the awareness on the implementation of Environmental, Social, and Governance (ESG) principles. They drive more interest on sustainable investment, where company's stock performance and ESG score are positively related even during this pandemic (Pratama, 2021). The pandemic becomes a wake-up call for investors to be more aware of ESG principles. Data from *Otoritas Jasa Keuangan* (OJK/Financial Services Authority) reveals that ESG-based global investment management fund experienced a 32.25% rise from Rp12.65 trillion at the end of 2020 to Rp16.73 trillion in July 2021 (Dirgantara, 2021). Additionally, a survey done by J.P. Morgan on investors, represent a total of $ 12.9 trillion of asset under management (AUM) in 50 global institutions with regard to their prediction on the impact of Covid-19 to the future of ESG investment. 71% respondents stated that it is 'likely' or 'highly likely' that Covid-19 would raise the global awareness and action to address serious risks of climate change and loss of biodiversity. Such raise is a positive catalyst for ESG. This view was supported by the majority (55%) of the survey respondents, who viewed it as a positive catalyst in the next three years (J.P.Morgan, 2020). In a report done on 2020 titled *Covid-19 Risks Outlook A Preliminary Mapping and Its Implications*, World Economic Forum (WEF) indicated that at least 65% of the communities under G-20 agree to conduct recovery from the pandemic by means of environment-friendly method (green recovery) (World Economic Forum, 2020). Lockdown and work from home policy have, at the minimum, became the catalyst to reduce carbon emissions and polution. For example in Beijing-Tianjin-Hebei areas, China experienced a drop of particles of PM2.5 in the air (Stanway, 2021).

Jakarta also experienced similar occurrence, where its residents can witness the clear blue sky as the pollution level decreased from 60 mcg/cbm to 40 mcg/cbm a month after the pandemic struck

(Adji, 2020). According to Supadi & Sudana (2018), environmental performance positively influences financial performance, because a company with good environmental performance will receive favourable response from the stakeholders, which in turn will result in long-term rise of company revenue. Result from another research revealed that environmental performance influences ROA (return on assets) in companies with gold rating (Angelia & Suryaningsih, 2015). A relatively high CSR disclosure was reported among manufacture companies listed on IDX (Indonesian Stock Exchange) and it could improve the companies' financial capability (ROA) (Luthan et al., 2018) (37). Another research indicated that CSR provides value for shareholders by means of operational performance, where CSR program implementation can act as a method to serve customers who are responsive to sustainable practice. CSR program improves employees' satisfaction and encourages the use of more efficient technology or production process (e.g. environment-friendly technology) (Flammer, 2015). The argument supporting small board size suggests that it is quite difficult to organize and coordinate a large group of people. Large board size inflates cost for the company and prolongs time to resolve problems caused by quarrels, which influence company performance (Pucheta-Martínez and Gallego-Álvarez, 2019). Smaller-size board is more effective when the company requires the board of directors (BoD) to perform its monitoring role (Pillai & Al-Malkawi, 2018). Theoretically, resource dependence indicates that larger board is advantageous when the company seeks for quality advice (Nguyen and Thanh, 2021).

Empirical evidence of board diversity generates various results. For example, heterogenous board has long-term impact on company goals (Naciti, 2019); diversity adversely influences company performance (Liang, Lin, Yu, and Li, 2021); and diversity is insignificant for large company to innovate (Zona et al., 2013). However, most results agree that diversity plays an important role in establishing board functions. This creates different culture, new mindset, equality, fairness, and new perspective, as well as improves competence profile in the meeting room (Bydr, 2018). As sustainability issue goes in line with ESG, McKinsey recorded that 57% executives and professional investors agree that ESG generates shareholder value (McKinsey & Company, 2020b). On the other hand, the period of 2009-2019 saw an exponential increase in short-term and long-term period in each aspect. Such findings were revealed due to the effect of the country's political state which encourages the importance of ESG program implementation to meet shareholders' expectations. A case study conducted by McKinsey Global Institute indicated the need of reduced dividends on natural capital in response to climate change (McKinsey & Company, 2020a). Sustainability issue is also supported by OJK by completing a Roadmap of Sustainable Finance Stage II to accelerate the implementation of ESG principles in Indonesia with a focus on comprehensively creating sustainable financial ecosystem by engaging all related parties and encouraging cooperation development with other parties. OJK requires actors of financial services industry to construct reports regarding the implementation of ESG principles in their business plans, convey such reports to the public, and adapt to climate change aimed at low-carbon

economy. In this context, financial services sector plays an important role in accelerating economic recovery through a change from conventional business pattern into the sustainable one. Such change can be integrated with technological advancement. Financial industry can utilize technological advancement to facilitate the provision of green financing, improvement of business process efficiency, and innovation of environment-friendly product (Otoritas Jasa Keuangan, 2021).

In particular, Covid-19 pandemic leads to a change in policy related to ESG principles. Attention must be paid to its implementation by the principal and agency for the purpose of sustainability and improvement of company performance. This will be useful when a change in policy actually needs to be implemented from pre-pandemic to current pandemic time. The objective of this study is to discover the influence of ESG disclosure on company performance during Covid-19 pandemic.

**Good Corporate Governance**

In 1999, Organization for Economic Co-operation and Development (OECD) published *Principles of Corporate Governance* (edited in 2004 and 2015), defining that corporate governance comprises of series of relation between corporate management, BoD, shareholders, and other stakeholders (OECD, 1999). Corporate governance also includes a structure to define company objectives and method to achieve them, as well as to monitor company performance (Otoritas Jasa Keuangan & International Finance Corporation, 2014). On the other hand, the framework of corporate governance must promote transparent and fair market, as well as efficient allocation of resources. This must be consistent with the applicable regulation and must support effective supervision and enforcement (OECD, 2015). The revelation of Enron scandal encouraged the world to agree on implementing good governance as specified in G-24 UNCTAD (Kabeyi, 2020). OECD also developed four important aspects of corporate governance (Otoritas Jasa Keuangan & International Finance Corporation, 2018), i.e. fairness, responsibility, transparency, and accountability. Particularly in Indonesia, one more aspect is added, i.e. independence, defined as independence of every person in the organization in his/her effort to conduct good governance. Based on that idea, Indonesian jurisdiction established two codes and principles to be implemented in a company, i.e. Indonesia Good Corporate Governance Code by the Komite Nasional Kebijakan Governance (National Committee for Governance Policy/KNKG) (KNKG, 2006) that is voluntary and Corporate Governance Guidelines of Public Companies that is mandatory and regulated by a regulator, i.e. Financial Services Authority (OECD, 2021).

**Environment, Social, Governance**

ESG was first coined in 2005 in an important study entitled *Who Cares Wins*. At the time being, ESG investment is estimated to have reached more than $20 trillion of Assets Under Management (AUM), or approximally one-fourth of all professionally managed assets worldwide. Its rapid growth

is founded on the preexisting Socially Responsible Investment (SRI) movement. However, unlike SRI which is founded on ethics and morality criteria and most of them uses negative screen, such as no investment in alcohol, tobacco, and firearm, ESG investment is founded on the assumption that ESG factors are financially relevant (Kell, 2018). The three aspects are related to sustainability issues pointed out by John Elkington under the concept of triple bottom line, known as 3P (profit, people, planet) concept focusing on economy, environment, and social (27) principles (Isil and Hernke, 2017).

| | **Economic** | **Environmental** | **Social** |
|---|---|---|---|
| Typical Measures | Sales, profit, ROI<br>Taxes paid<br>Monetary flows<br>Jobs created | Air quality<br>Water quality<br>Energy usage<br>Waste produced | Labor practices<br>Community impacts<br>Human rights<br>Product responsibility |
| | **Total** | **Total** | **Total** |

*Sources:Isil and Hernke (2017)*

## Resource-Based Theory

Resource-based theory, developed relative to revolutionary economics, defines excellent and sustainable performance of a company focused on the company's differential capability to develop new capability in the time of environmental change; resource-based view is more proximate to sustainability concept (Hitt et al., 2015). This theory will help managers to understand more about corporate resource in order for a business corporate to operate more efficiently than diversified corporate does (Assensoh-Kodua, 2019).

## Stewardship Theory

Stewardship theory is proposed as an alternative for (some may define it as a complement to) agency theory. Unlike agency theory which focuses on control and conflict, stewardship theory highlights cooperation and collaboration (Balakrishnan et al., 2015). The latter theory is identified by the idea of serving others, instead of self-interest (Neubaum et al., 2016). This theory states that individual, including the director, are often times motivated by the consideration regarding fairness, justice, and concern about others (Contrafatto, 2014). Directors often see themselves as reliable stewards of the company to perform satisfying and professional job, and they are closely attached to company purpose which emphasizes personal interest (Keay, 2017).

**Hypothetical Development**

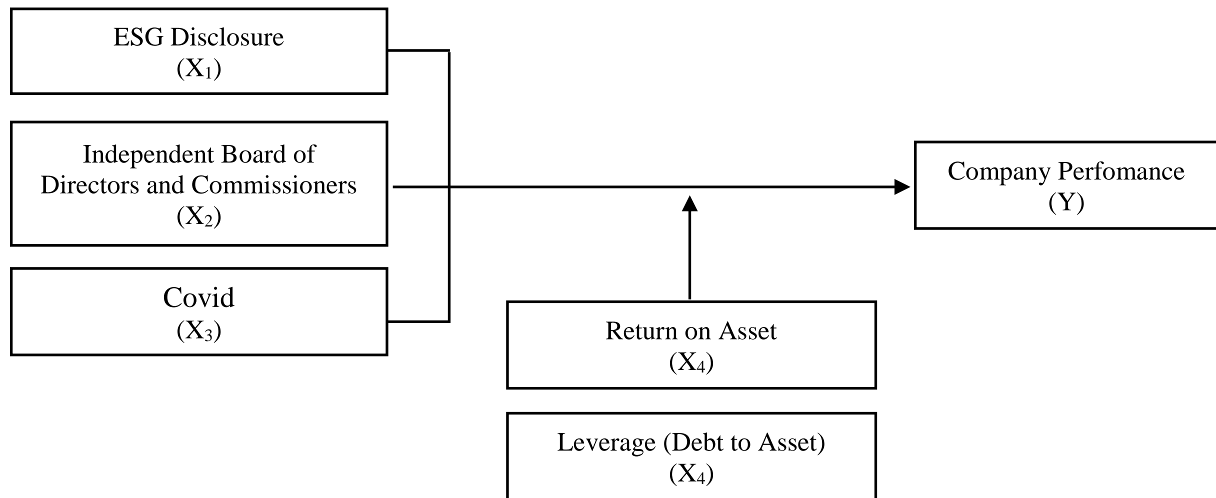


**Figure 1. Conceptual Framework**

**Influence of ESG Disclosure on Company Performance**

According to Statement of Financial Accounting Concept No. 1 by Financial Accounting Standards Board (1978), the focus of financial statement is profit and its component. Disclosure of corporate social responsibility highly influences corporate sustainability and adds corporate value, prompting numerous companies to disclose such responsibility regarding their environment principle. Companies with good environmental performance are good news for investor and potential investor, and they will be positively responded by the investor, which in turn will influence their performance. Additionally, a change in environment and climate throughout the pandemic prompts sustainable investment to gain more resognition, in which company's share performance and ESG score are positively related (Pratama, 2021). A company will disclose an information as long as it can improve company value (Huang et al., 2020). Based on a CSR-related research by Tanggamani et al. (2022), CSR is proven to positively influence company's performance or financial performance. With CSR, it is expected that the company will attain social legitimacy and maximize its financial capacity in the long term. This indicates that companies applying CSR expect to gain positive response from market participants.

H1: ESG disclosure influences company performance

**Influence of Independent Board of Directors and Board of Commissioners on Company Performance**

Covid-19 crisis highlights the role of board supervision in alleviating the risk of uncertainty as the crisis aftermath. The pandemic brought about greater external risks, prompting the executives to restructurize capital, policy, and organizational design in short- and long-term emergency case (Foss, 2020). When the pandemic disrupt all aspects of company operations, BoD must put more effort into

typical supervision role of the directors and maintain their independence, as well as policy establishment role combined with active supervision (Croci et al., 2020; Foss, 2020). The board must assist in designing program for anticipating crisis and improving company performance, for example, by preparing a program to distribute labor sustainability plan. The board must consider new technology, limit of executive compensation, and many other adjustment possibilities with new business realities.

H2: Independent board of directors and board of commissioners influence company performance

**Influence of Covid-19 on Company Performance**

Covid-19 pandemic affects company's profitability, causing it to decline significantly due to purchasing power weakens and interest rate rises. Company's total sales will be impacted by the decreasing purchasing power. The pandemic has significant negative impact to every employee in China due to the declining total revenue, which in turn, causes ROA to decline (Shen et. al. 2020). A prior research also explained how the pandemic significantly affect company performance (Devi et. al., 2020).

H3: Covid-19 influences company performance

## RESEARCH METHODS

This is a quantitative study. With its quantitative method, object of the study is dsecribed by means of collected data or sample as is, without analysis and publicly applicable conclusion.

**Variable Operationalisation**

**Table 1. Variable Operationalisation**

| Variable | | Measurement |
|---|---|---|
| IV | ESG Disclosure | GRI Disclosure 102, 103, 201, 202, 203, 204, 205, 206, 207, 301, 302, 303, 304, 305, 306, 307, 308, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419 in Sustainability Report |
| IV | Independent BoD and BoC | Total number of independent BoD and BoC divided by total number of BoD and BoC |
| IV | Covid-19 | The year pandemic strikes (Dummy variable; 0 2019; 1 2020) |
| DV | Company's Performance | Tobin's Q |
| VC | Return on Asset (ROA) | Income after tax divided by total asset |
| VC | Leverage (Debt to Asset) | Total debt divided by total asset |

**Research Model**

$$Tobin's\ Q = \alpha_0 + \alpha_1 ESGD + \alpha_2 DEBTASSET + \alpha_3 INDBODC + \alpha_4 COVID + \alpha_5 ROA$$

Explanation:

Tobin's Q : Company performance

0 : Constant coefficient

1-5 : Independent variable coefficient

ESGD : Disclosure of ESG Policy

DEBTASSET: Leverage ratio (debt to asset)

INDBODC : Independence of BoD and BoC

COVID : Pandemic fiscal year

ROA : Return on asset

## Population and Data Sample

Population of this study are 187 mining and agricultural companies listed on IDX the period of 2019-2020. Samples were collected using convenience sampling method which engaged samples collected from the most common or accessible part of population. The samples comprise of 16 companies selected based on the expected criteria, i.e. companies having their ESG score listed on CSRhub and publishing their Sustainability Report. Thus, there are 32 observations as the data of this study.

In the context of sampling, data were collected from companies in agriculture and energy because they intersect the most with ESG issues. These sectors relate directly with pollutant in the environment, thus sample selection is important and is expected to correlate directly with the variables to be examined.

Samples were collected based on CSRhub data beyond the existing compliance criteria, such as the construction of sustainability report. The writers believe that when companies have their ESG score posted in CSRhub, it indicates their intention to make ESG policy beyond the existing standard. This is a sure sign that they are progressive companies in terms of ESG policy implementation.

**Table 2. Population and Sample**

| No. | Criteria | Total Companies | Total Data |
|---|---|---|---|
| 1 | Agricultural and mining companies listed on IDX | 187 | 374 |
| 2 | Agricultural and mining companies without ESG score in CSRhub | (156) | (312) |
| 3 | Agricultural and mining companies who failed to publish Sustainability Report in 2019 and/or 2020 | (15) | (30) |
| | **Total eligible research samples** | **16** | **32** |

*Sources: IDX (2021)*

## Data Collection Method

Data in this study are secondary data collected from Annual Report, Sustainability Report, and Financial Report of agricultural and mining companies during the period of 2019-2020.

## Data Analysis Technique

Analysis is conducted on data collected from 16 eligible companies. In particular, statistical analysis is conducted using STATA Version 16. Data analysis is conducted using descriptive analysis and multiple linear regression analysis methods, involving four independent variables (i.e. ESG Disclosure, Leverage, Independent BoD and BoC, and Covid-19), one control variable (ROA), and one dependent variable (Firm Size) to test the proposed hypotheses and analyze the influence or relationship between independent and dependent variables.

## RESULT AND DISCUSSION

### ESG Disclosure Score

**Table 3. ESG Disclosure Score**

| Company Code | Score in 2019 | Score in 2020 |
|---|---|---|
| AALI | 0.51 | 0.49 |
| ADRO | 0.60 | 0.58 |
| ANTM | 0.61 | 0.55 |
| BRMS | 0.47 | 0.55 |
| BUMI | 0.57 | 0.56 |
| DEWA | 0.55 | 0.55 |
| INCO | 0.70 | 0.67 |
| INDY | 0.39 | 0.39 |
| ITMG | 0.39 | 0.61 |
| MDKA | 0.33 | 0.36 |
| MEDC | 0.38 | 0.37 |
| MYOH | 0.48 | 0.49 |
| PTBA | 0.53 | 0.72 |
| SSMS | 0.32 | 0.36 |
| TINS | 0.55 | 0.50 |
| UNTR | 0.37 | 0.43 |

*Sources:Thomson and Reuter Database (2021)*

The table 3. that displays ESG score based on GRI (Global Reporting Initiative) guidelines. An average 49% of the companies have disclosed their indexes based on the guidelines.

### Descriptive Statistics

**Table 4. Descriptive Statistics**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| TOBINSQ | 32 | 0.8983 | 0.7801 | 0.09 | 4.058 |
| ESGD | 32 | 1.0154 | 0.3952 | 0.33 | 1.969 |
| INDBODC | 32 | 0.1996 | 0.0640 | 0.09 | 0.38 |
| COVID | 32 | 0.5000 | 0.5080 | 0 | 1.0000 |
| ROA | 32 | 0.0287 | 0.0593 | -0.1 | 0.16 |
| DEBTASSET | 32 | 0.9546 | 1.8683 | 0.13 | 8.14 |

The result of descriptive statistics analysis indicates TOBINSQ variable with 32 data, minimum value of 4.05, maximum value of 0.9, mean value of 0.89, and standard deviation value of 0.78.

### Normality Test

**Table 5. Normality Test**

| Variable | Obs | Pr(Skewness) | Pr(Kurtosis) | Adj. chi2(2) | Prob>chi2 |
|---|---|---|---|---|---|
| TOBINSQ | 32 | 0.2195 | 0.2613 | 3.02 | 0.2212 |
| ESGD | 32 | 0.3893 | 0.6118 | 1.06 | 0.5888 |
| INDBODC | 32 | 0.2933 | 0.3525 | 2.13 | 0.3449 |
| COVID | 32 | 0.5000 | 0.0000 | 0 | 0.0000 |
| ROA | 32 | 0.1644 | 0.4703 | 2.67 | 0.2636 |
| DEBTASSET | 32 | 0.0015 | 0.0092 | 13.08 | 0.0014 |

Result of normality test indicates that only TOBINSQ, ESGD, INDBODC, and ROA variables have prob > chi2 value above the alpha (0.05), meaning that the tested data are normal, with values respectively of 0.2212, 0.5888, 0.3449, and 0.2636. On the other hand, DEBTASSET and COVID variables are considered abnormal because they are below the alpha with values respectively are 0.0014 and 0.0000.

**Heteroskesdaticity Test**

**Table 6. Heteroskesdaticity Test**

| Breusch-Pagan/Cook-Weisberg test for heteroskedasticity | | |
|---|---|---|
| Ho | : constant variance | |
| Variables : ESGD DEBTASSET INDBODC COVID ROA | | |
| Chi (1) | = | 4.96 |
| Prob > chi2 | = | 0.4207 |

Result of heteroskesdaticity test indicates that prob > chi2 = 0.04207 or above alpha (0.05), meaning that no heteroskesdaticity issue occurs.

**Multicollinearity Test**

**Table 7. Multicollinearity Test**

| Colinearity Statistic | | VIF | No multicollinearity occurs |
|---|---|---|---|
| | ESGD | 1.41 | |
| | INDBODC | 1.21 | |
| | COVID | 1.19 | |
| | ROA | 1.04 | |
| | DEBTASSET | 1.35 | |

The analysis using multicollinearity test suggests that respective VIF values of ESGD is 1.41, DEBTASSET 1.35, INDBODC 1.21, ROA 1.19, and COVID 1.04 < 10.00. Therefore, multicollinearity does not occur in independent variables in regression model.

**Autocorrelation Test**

**Table 8. Autocorrelation Test**

| | | |
|---|---|---|
| N(res <= -.129143089056015) | = | 16 |
| N(res > -.129143089056015) | = | 16 |
| Obs | = | 32 |
| N(runs) | = | 16 |
| z | = | -.36 |
| Prob> \|z\| | = | 0.72 |

Based on the result of autocorrelation test, probability value from run test result was 0.72 or 72%, which was above the significance value of 5%. It can be concluded that autocorrelation issue does not occur in this study.

## Linear Regression

**Table 9. Regression Test Results**

| Unstandardized Coefficients | Std Error | T | Sig. | [95% Conf. Interval | |
|---|---|---|---|---|---|
| ESG Disclosure | 0.315 | -1.15 | 0.259 | -1.012 | 0.2839 |
| Independent Board of Directors and Commissiones | 2.288 | -2.23 | 0.035*** | -9.797 | -0.391 |
| COVID | 0.24 | 1.89 | 0.068* | -0.038 | 0.9516 |
| ROA | 1.879 | 5.22 | 0.000*** | 5.956 | 13.682 |
| Keverage (Debt to Asset) | 0.061 | 4.00 | 0.000*** | 0.1202 | 0.37430 |

R-Square= 0.611 Sig. F = 0.000
*= Significance 10%
**= Significance 5%
***= Significance 1%

The table above displays output from data calculation using STATA. It can be seen that $R^2$ is 0.6878. Thus, it can be discovered that ESGD (X1), INDBODC (X2), COVID (X3), ROA (X4), and DEBTASSET (X5), or collectively referred to as independent variables, are 61.1% to define Company Performance (Y). The remaining 39.9% is defined by other variable not analyzed in this study.

Output from STATA is F, calculated using Sig rate of 0.000. Sig rate in the table is 0.000 < 0.05, indicating that ESGD (X1), INDBODC (X2), COVID (X3), ROA (X4), and DEBTASSET (X5) simultaneously influence Company Performance (Y).

T test, known as partial test, is applied to test the influence of each independent variable on dependent variable. As seen in the table, Sig. X1 value on Y is 0.259 > 0.05, thus H1 is rejected, indicating that X1 has no influence on Y. This result is in line with the one from prior research that the disclosure of ESG policy is focused on incompliance with rules about ESG, and related to how investor are still focused on financial data without understanding on ESG policy yet (Zaitul et al., 2021; Arasyssi et al., 2016). On the other hand, similar research in Malaysia suggests that there is no difference between companies disclosing their ESG policy comprehensively and those who do it partially, as such disclosure does not influence company performance (Atal et al., 2018). This indicates that in developing countries, investors have not yet appreciated this disclosure.

The influence of Sig. X2 value on Y is 0.035 < 0.05, thus it can be concluded that H2 is accepted with 5% significance, indicating a significant influence of X2 on Y. Its negative value suggests that the increase of X2 value will cause Y to decrease and vice versa. This is in line with prior research that the presence of independent BoD and BoC is considered as not yet capable of impacting company performance in conducting its control function (Fadillah, 2017).

The influence of Sig. X3 value on Y is 0.069 < 0.05, thus it can be concluded that H3 is accepted with 10% significance, meaning that X3 influences Y. The negative coefficient value indicates that the presence of Covid-19 pandemic will decrease company performance and vice versa. This is in line with prior research that Covid-19 pandemic significantly impacts company performance (Devi et al, 2020).

The influence of Sig. X4 value on Y is 0.00 < 0.05, thus it can be concluded that X4 significantly influences Y. High profit is a good indication of company prospect which prompts investors to participate in increasing share demand. Increase of share demand will improve company value. Result of this study is in line with that of prior research that asset recovery significantly influences company value/performance (Thakur dan Workman, 2016).

The influence of Sig. X5 value on Y is 0.00 < 0.05, thus it can be concluded that 5% significance results in the significant influence of X5 on Y. The result of data processing indicates that the higher the leverage, the higher value of company performance. This result is in line with that of prior research which also discovers positive relation between leverage and company value/performance (Ramlan, 2020) and that leverage is directly related to company value/performance by the improved corporate governance quality (Zhou et al.,2021).

## CONCLUSION

This study on ESG disclosure aims to verify whether ESG policy, which is proxied with standard GRI disclosure in the sustainability report, influences company performance, which is proxied with Tobin's Q ratio as a measure to discover market response. The study is founded on the urgency that the pandemic alters investor's view of the company and that the earth – represented by the environment – undergoes drastic change during the pandemic. This resulted in the improvement of global society awareness of sustainability amidst the pandemic since 2020 until currently. However, in testing the hypotheses, the writers failed to verify H1, i.e. influence of ESG disclosure on company performance. This failure is caused by the lack of company policy related to sustainable finance, company indecision, and investor disbelief on the transparency of ESG policy. Additionally, ESG policy mostly regulates matters related to compliance with the policy and is not yet comprehensive. Furthermore, instead of focusing on cost reduction, the policy focuses more on cost center which will impact the company in the long run. Meanwhile, H2 and H3, including control variable, have significant influence on company performance. On the other hand, independence of BoD and BoC has significant but negative influence, because the selection of both boards is still affected by conflict of interest and political issue that will impair the independence of GCG principle. Although ESG disclosure is not influential yet for company performance in Indonesia, company management must consider the Resource-based Theory that in this ever-changing environment, the utilization of company operation and business must be more efficient in order to apply the concept of sustainability (Hitt et al., 2015). Additionally, disclosure of ESG score based on GRI disclosure in energy and agricultural sectors is still under 50%, i.e. 49%. Based on Stewardship Theory, the company must emphasize on cooperation and collaboration (Hadjielias et al., 2022) by improving its concern to others' interest. Among the ways is to conduct actions related to environmental issue in a good and professional manner.

**Theoretical and practical Implications**

Theoretical implication of this study is understanding the influence of disclosing ESG policy, BoD and BoC's independence, leverage ratio, Covid-19s pandemic, and ROA on company performance. This study certainly becomes a literary contribution for academicians, because studies on ESG are still scarce and ESG itself is a new topic. As to the practical implication, is for the companies to understand that disclosure of ESG is insignificant, due to the mindset of company management that is still focused on short-term condition. Efforts are required to develop long-term strategic plan while taking sustainability into acccount. Investor should also be more optimistic with the company's disclosure of ESG policy, as it indicates the company's support for sustainability while implementing good governance, in order to improve share values of the company. Additionally, the government as represented by OJK might encourage companies to submit their sustainability reports as a form of supervision as required by laws. Hence, appreciation of stock market value will improve

**Research Limitation**

On the other hand, this study has several limitations as follows: (1) The samples are only from the companies in mining and agriculture sectors, causing the result of this study to be unqualified for drawing general conclusion regarding the influence of ESG disclosure on company performance during the pandemic; and (2) only 32 data samples were used in this study using time-series method duting the period of 2019-2020. Such limited number of sample is insufficient for multiple linear regression test as it resulted in biased sample. Thus, for subsequent study, the writers suggested the following: (1) Future writers can develop a study with a mediator variable which strengthen the influence of ESG disclosure on company performance; (2) Future writers can use samples from financial and banking companies that are highly regulated, which will generate different results from those of the study on mining and agriculture sectors.

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