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ESG Controversy as a Moderator of the Impact of Environmental, Social, and Governance Indicators on High-Profile Companies' Performance in Asia

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Abstract: The purpose of this research paper is to analyze the relationship of each environmental, social, and governance (ESG) aspect to the performance of high-profile companies, and the purpose of this study further analyzes the role of moderating ESG controversies on the relationship of every aspect of ESG disclosure to corporate performance. Application of research observation data, using observations from 2010 to 2019, is a company in an Asian country listed on the Sustainable Stock Exchange, which requires companies to publish and report ESG aspects. This study excludes the period 2020-2024 from the analysis because the global economic crisis due to the COVID-19 pandemic has caused the company to change its priorities. The purposive sampling method was used in this study, obtaining 847 samples of observational data from seven countries in the Asian region. Regression moderation analysis was used to examine the relationship between each aspect of ESG and the performance of high-profile companies with the controversy of ESG as a moderation variable. The study results obtained findings that social and governance aspects have a positive and significant effect on the performance of high-profile companies. However, environmental aspects were found to be insignificant. The findings of the ESG controversy weaken the relationship between social and governance aspects of high-profile company performance, and the ESG controversy does not moderate the relationship of environmental disclosure to company performance.

Keywords: ESG, company performance, controversy, COVID-19 pandemic, sustainability
JEL Classification: M0, M4, M41

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Introduction

The topic of environmental, social, and governance (ESG) issues has attracted the attention of companies, investors, and other stakeholders since it was first introduced through principles for responsible investment that encourage the integration of ESG aspects into sustainable investment practices (Zahid et al., 2022). The Global Sustainable Investment Alliance data report states that sustainable investment funds have increased globally. Similarly, countries in the Asian region cited ESG regulations as increasingly popular and cited sustainable practices as an increasingly important factor in investment decisions (Mansouri & Momtaz, 2022). This indicates an increasing number of signatories in Asia and an agreement between China and the U.S. to work together toward sustainability goals that highlight changing priorities for the region and commitment to ESG principles (Tan et al., 2023). The conclusion found that companies' ESG commitments in Asian countries have accelerated, increasing the momentum of ESG investment in the region (Rahman & Rahman, 2022).

The growth of the sustainable investment trend has resulted in an increased need for information about ESG practices by companies. This happened due to the increasing demands of investors regarding transparency over the companycompany's concern for ESG issues (Na et al., 2023). Increasing pressure from investors prompts companies to disclose more detailed information about managing their ESG issues. Identifying ESG issues that impact the companycompany can help investors assess the level of the companycompany's ability to address ESG issues that can lead to better risk management (Becchetti et al., 2023). Indications related to how well the companycompany handles ESG issues are becoming increasingly important performance indicators for investors and other stakeholders. Regional Original Revenue of each regional area is a source of regional income derived from the region's economic activities (Khoirudin & Khasanah, 2018). Each region must strive to increase the source of local revenue, both by increasing existing local revenue and by exploring new sources of local revenue through existing provisions and by maintaining the potential of economists (Kumoro & Ariesanti, 2017). The higher economic growth reflects better development and financial activities in the country's territory (Nasir et al., 2021) (Kurniawan & A'yun, 2022).

ESG sustainability information is important not only for stakeholders in evaluating company performance but also for companies that have the potential to improve their operational efficiency and reduce exposure to business risks faced by a company. The companycompany's efforts to integrate ESG issues are considered to create added value and affect the long-term business sustainability of a company. They can avoid and reduce costs that occur in the future so that it has the potential to improve company performance (Capelli et al., 2023). Good ESG integration supports value creation through risk management actions in the form of environmental, social, or internal or external regulatory issues that negatively impact the companycompany's operations. The companycompany's ESG information, having moved from specialized activities to the mainstream of the companycompany, will allow the companycompany to develop intangible assets in the form of strong long-term relationships, which will be considered to be a source of competitive advantage for the companycompany (Cauthorn et al., 2023).

The effect of ESG openness on a company's performance appraisal can be more significant for other companies in areas that are more exposed to environmental and social issues, as a result of which ESG disclosure requirements are higher for high-profile companies. Disclosure of CSR information is important in reducing the level of asymmetric information that may exist between stakeholders, especially about the non-financial impact of the company. Although many companies now prepare CSR reports, sometimes the information contained does not fully reflect the desired transparency due to the nature of the report, which can be manipulated for image purposes (Usman et al., 2020). Cepni et al. (2023) concludes that high-profile companies are currently industries with a higher level of ESG risk exposure, so they have a high level of sensitivity or are sensitive to the environment and society. Based on the paper (Treepongkaruna et al., 2022), industries that are sensitive to environmental and social issues will face severe requirements, including those related to reducing pollution, packaging non-hazardous products, and business practices that do not impact the ecosystem. To achieve small profit targets or small profit increases, which has implications for the company's corporate social responsibility (CSR) policies and ESG performance, the insight that CEOs with direct attachments to the company's owners are more likely to engage in managerial practices that influence financial statements for personal or short-term purposes, which may reduce the credibility and transparency related to the company's ESG reports (Na et al., 2023). In the context of corporate social responsibility (CSR), sustainability reports play a crucial role in providing information on the social, environmental, and economic impacts of a company's activities (Wulandari & Saleh, 2024). In conclusion, companies can attract the attention of stakeholders because a company that can integrate ESG commitments into its business processes has the potential to influence company performance positively.

The companycompany's socially and environmentally responsible behavior and good governance practices are considered to satisfy the interests of stakeholders; the conclusion of this will have an impact on improving company performance. Based on the views of stakeholder theory, a company can improve performance through indirect benefits by engaging in good relations with its stakeholders (Pedersen et al., 2021). Increased stakeholder awareness of ESG issues and the impact of increased pressure on companies to behave responsibly also result in companies being in the spotlight of the media, investors, and other stakeholders if a company is involved in controversy (Qoyum et al., 2022).

ESG controversies can arise when companies are involved in incidents that negatively impact stakeholders, socially or environmentally. A company often being involved in controversy indicates the companycompany's failure to manage ESG risks, which can lead to various consequences. Literature related to this issue regarding the influence of corporate controversies on company performance is still limited, even though the controversy has the potential to damage reputation and negatively impact company performance. Based on the findings (López Prol & Kim, 2022), the main risk of controversy or incidents caused by the irresponsible behavior of a company is loss of reputation and reduced trust and loyalty among company stakeholders. In conclusion, there is attention to several studies considering the impact of ESG disclosure on companies operating in industries at risk of being involved in environmental and social problems.

Based on these background findings, our research will examine the effect of each aspect of ESG disclosure, including environmental, social, and governance aspects, on company performance. Mainly focused on the performance of high-profile companies in Asian countries listed on the Sustainable Stock Exchange (SEE), which requires companies to report ESG disclosures and commit to ESG issues—using ESG controversy variables as variables that moderate the relationship between ESG disclosure and high-profile company performance. The emphasis of this study is that ESG controversy is considered to have an impact on the relationship between ESG disclosure and company performance because of the consequences that can result from company involvement in controversies for company reputation, perspectives of investors and other stakeholders, as well as increasing sensitivity of stakeholders to company involvement in these controversies.

Based on the presentation of empirical research, the gaps that can be identified are as follows. First, only a small number of previous researchers have considered the effect of ESG controversy as another aspect of ESG disclosure about the effect of ESG disclosure, firm value, or firm performance (Aouadi & Marsat, 2018; Shakil, 2021; and Nirino et al., 2021). As is known, ESG controversy is negative news related to a company's involvement in problems or scandals, both in environmental and social terms, as a result of company operations and poor corporate governance (Shakil, 2021). The results of several studies have provided empirical evidence regarding the negative impact of the ESG controversy. For example, the results of research by Nirino et al. (2021) found that the ESG controversy destroys a company's reputation, which negatively impacts the company's performance. Similarly, Shakil (2021) found that ESG controversy moderates the relationship between ESG and financial risk, which means that the higher the company's controversy, the higher the company's total risk. However, the effects of other disclosure aspects of ESG have not received greater attention from previous researchers. Therefore, to fill the research gap, the current study includes ESG controversy in the test as a moderating variable of the relationship of each aspect of ESG disclosure to firm performance. The consideration is that currently, stakeholders are increasingly sensitive to ESG issues from the company's operational activities and the consequences that can result from the company's involvement in the controversy.

Second, several previous studies, for example, Nirino et al. (2021) and Mohammad & Wasiuzzaman (2021), suggest the importance of testing and analyzing the effect of each aspect of ESG disclosure, consisting of disclosure of environmental, social, and governance aspects, on the value or performance of a company. This is based on the consideration that each aspect of ESG disclosure has a different effect or influence on company performance (Alareeni & Hamdan, 2020). However, not many previous studies focus on testing each aspect of ESG disclosure. Although several studies, e.g., Qureshi et al. (2020) and Alareeni & Hamdan (2020), tested each aspect of ESG disclosure, the empirical results show mixed results. Therefore, to fill the research gap, this study tests the three aspects of ESG disclosure separately to evaluate which aspect of ESG disclosure is the primary driver of performance improvement and which has the most effect on company performance.

Third, the research context mainly combines companies operating in diverse industries. In contrast, the effects of ESG disclosure on firm value and performance may vary for companies that are more sensitive to environmental and social risks than non-sensitive companies (Garcia et al., 2017; Qureshi et al., 2020). In this case, companies operating in sensitive industries are considered more sensitive to ESG issues, making it relevant to investigate the effect of their ESG disclosures on their firm performance (Qureshi et al., 2020). For example, study by Shakil (2021) only focused on oil and gas companies, which are considered companies that receive greater attention from investors and their stakeholders in assessing the responsiveness of these companies in addressing ESG issues due to the environmental and social risks inherent in their operations.

However, similar research is still limited; therefore, to fill the research gap, the current study focuses on the performance of companies that fall into the high-profile category, namely companies operating in sensitive industries that are considered to have higher risks due to the impact of their operations. Thus, this study will examine the effect of each aspect of ESG disclosure on the performance of high-profile companies moderated by ESG controversy.

The urgency and novelty of the research: First, existing research efforts are limited to considering the effects of ESG controversy as another aspect of ESG disclosure about the effect of ESG disclosure on company performance. Novelty This study uses aspects of ESG controversy as a moderating variable of the relationship of ESG disclosure to company performance. Second, it is important to test and study in-depth analyses of each aspect of ESG disclosure, including environmental, social, and governance aspects, on a company's performance. The novelty of this research is a separate study to determine the influence of each aspect of ESG disclosure as the primary support for improving company performance. Third, it is essential to pay attention to companies that are highly sensitive to environmental and social risks. The research focuses on the performance of high-profile category companies, namely companies operating in sensitive industries that are considered high-risk due to the impact of their operations.

Literature Review

ESG disclosure refers to the disclosure of information covering a company's operations in three aspects: environmental, social, and governance. This information can be used to assess business resilience and long-term sustainability, measure company performance against risks and opportunities, and develop company strategies related to ESG (PWC, 2020). This means that the provisions regarding ESG disclosure will encourage companies to be more transparent in explaining the risks and opportunities they face.

On the other hand, ESG information can also provide insight into the quality of the company's management in managing risks arising from its activities that can impact company performance (Kell, 2018). Information that includes ESG helps investors identify or assess companies that can maintain their performance in the long term and avoid investing in companies that tend to have poor performance (UNPRI, 2021). ESG disclosure is important not only for investors in their investment analysis process but also for companies that want to improve operational efficiency and reduce the risk exposure of their business activities (Henisz et al., 2020).

This means that the company's ability to address ESG issues and communicate them well through ESG disclosure can add value to the company and will affect its long-term sustainability. This includes access to capital, cost savings and productivity, risk management, revenue growth and market access, brand value and reputation, the company's operating license, human resources, and employee retention and recruitment. The increasing practice of ESG disclosure is also closely related to the increasing demands, in this case from investors and other stakeholders, on ESG issues. In this case, they realize that disclosure of ESG-related information is essential in understanding the company's objectives, strategy, and quality of sustainability management, as well as identifying companies with good prospects in the future and avoiding companies that tend to have poor performance (Kell, 2018). Based on data from the United Principles for Responsible Investment as of April 2019, there are more than 2,300 investment management companies with USD 86 trillion in assets under management that have signed the Principles for Responsible Investment supported by the United Nations and committed to incorporating ESG issues into their investment decisions (UNPRI, 2021).

This means that stakeholders now want more information about a company's long-term sustainability and accountability for its actions in doing business. As such, it allows companies to increase their business and investor value through better strategy and communication by disclosing information on material financial ESG issues. Consequently, investors and other stakeholders call on companies to disclose more about sustainability and ESG strategies that ultimately make companies accountable for their environmental and social performance and implement good corporate governance (UNPRI, 2021). Therefore, ESG disclosure has become an important highlight for stakeholders and companies, containing three key aspects: environmental, social, and governance. The following is an explanation of each aspect of ESG disclosure.

Disclosures related to ESG issues are in the spotlight for stakeholders today, and companies are also mainly in the media spotlight and of interest to investors and other stakeholders if the company is involved in a controversy (Aouadi & Marsat, 2018). A controversy is an ongoing case or incident resulting from the negative impact of a company's operations or products (MSCI ESG Research, 2024). In this case, the controversy relates to the three main aspects of ESG disclosure: environmental, social, and governance.

For example, such cases of controversy may include allegations or acts of company violations of existing laws/regulations or violations of applicable international norms (MSCI ESG Research, 2024). So, ESG controversies are the company's involvement in cases related to ESG issues; for example, these cases can be oil spills, deforestation, use of child labor, workplace discrimination, monopolistic activities, and accounting fraud to workplace harassment, human rights violations, or fraud, as well as business ethics related to involvement in bribery and corruption (Refinitiv Eikon Datastream, 2021). The following, an overview of the ESG controversy, can be seen in Table 1.

Table 1. ESG Controversy Category

Environmental	Human rights & community	Labor rights & supply chain	Customers	Governance
Biodiversity & land use	Impact on local communities	Labor management relations	Product safety & quality	Bribery & fraud
Toxic emissions & waste	Human rights concerns	Health & safety	Anticompetitive practices	Governance structure
Energy & climate change	Civil liberties other	Collective bargaining & unions	Customer relations	Controversial investment
Water stress	Other	Discrimination & workface diversity	Privacy & data security	Other
Operational waste		Child labor	Marketing & advertising	
Supply chain management	Other	Supply chain labor standards	Other	

The company's involvement in these cases has a significant financial impact on the company, ranging from boycotts by customers to lawsuits and damaging the reputation of the company and its shareholders (Qureshi et al., 2020). Therefore, companies that consider key aspects of ESG are more likely to avoid controversy and thus improve their reputation, retain customers and employees, and maintain the trust of their stakeholders (OECD, 2020). In this case, a company's ability to manage environmental, social, and governance issues demonstrates leadership and good governance, which are critical for sustainable growth.

Furthermore, companies that are often involved in controversies may indicate that widespread problems are occurring in the company. According to the World Business Council for Sustainable Development, if the company is involved in cases related to pollution, customer and employee safety, ethics, and management oversight, it will have an impact on reputation, customer loyalty, investor confidence, and financial performance, as well as the company's share price (COSO and WBCSD, 2018). This can be seen from several cases of controversy that occurred in companies at the global level.

Companies must be able to play a more active role in recognizing and managing ESG-related issues to avoid or reduce environmental, social, and governance-related risks that may impact the company (DasGupta, 2022). Thus, ESG disclosure refers to the environmental, social, and governance considerations of investors and other stakeholders in the context of corporate behavior.

According to MSCI ESG Research Controversy and Global Norms, each controversial case is evaluated in depth to determine whether the cause is due to underlying issues/structural failures at the company or non-structural issues (MSCI ESG Research, 2024). Structural issues, e.g., if there is evidence of underlying problems at the company that poor governance and lack of adequate oversight of the responsible party/entity contributed to the controversy, or if the case could have been avoided with the implementation of good governance and proper oversight procedures or better compliance at the company.

On the other hand, non-structural issues, such as the controversy, appear to have occurred as a result of the actions of ill-intentioned individuals or lousy luck/misfortune befalling the company, or if the company has implemented adequate governance and oversight but could not prevent or was beyond the company's control. Thus, information related to the company's involvement in ESG controversies and how the company responds to these controversies is considered to be able to assist investors in analyzing the company's significant environmental, social, and governance impacts; assessing the company's exposure to various risks; the company's compliance with international rules/norms and principles; and assessings the company's performance against their commitments to ESG (OECD, 2020).

High-profile companies operate in industries sensitive to environmental and social issues (Qureshi et al., 2020) because their operations have a higher impact on environmental and social damage (Garcia et al., 2017). For example, the United States Environmental Protection Agency revealed that the oil, gas, and mining industries contribute to global warming and are responsible for 56 percent of carbon emissions worldwide (EPA, 2021). This has led to greater scrutiny of companies' operational activities.

Consequently, companies are under more pressure from various stakeholders to account for their activities and performance, including the impact of their business operations on environmental, social, and governance aspects. Therefore, the influence of ESG disclosure on corporate performance may be more significant for high-profile companies that can be exposed to problems due to their activities that cause environmental and social impacts (Qureshi et al., 2020). As such, investors and other stakeholders increasingly consider the risks and opportunities from environmental, social, and governance aspects as key factors contributing to company performance and the long-term value of potential investments (Eccles et al., 2014).

The increasing attention of stakeholders to ESG issues has resulted in the current assessment of company performance based on financial aspect indicators and non-financial aspects, namely through the disclosure of information related to the company's ESG practices. In general, performance is defined as the extent to which a company has achieved its set of goals. This means that today, companies' main goal is not only limited to achieving economic value but also providing environmental and social benefits for their stakeholders (Le & Ikram, 2022). Therefore, the company's performance is expected to be sustainable by meeting the expectations and needs of its stakeholders. In this case, we should pay attention to three important aspects of sustainability as the core of the survival and development of the company today: environmental, social, and governance (Lewandowski, 2016 in (Le & Ikram, 2022)).

This research focused on companies that fall into the high-profile category, explicitly focusing on the performance of high-profile companies in Asian countries. Asian countries are one of the regions that are affected by climate change; in response to the impacts of climate change, countries in the region have begun to prioritize and commit to sustainability. Then, focus on companies listed on the Sustainable Stock Exchange (SEE) that require companies to publish and report their ESG disclosures. This indicates that these companies have committed to integrating and improving their performance on ESG issues. Furthermore, the study was conducted on companies that have ESG disclosure and ESG controversy data on the Refinitiv Eikon database during the observation period starting from 2010 to 2019.

Countries in the Asian region exhibiting ESG regulations are increasingly making sustainable practices an important factor in investment decisions. This is characterized by an increase in the number of signatories from Asia to the principles for responsible investment by 23 percent compared to 2020 to 421 in 2021 (Nasdaq News, 2021). It is also marked by the agreement between China and the US to work together towards sustainability goals that highlight the changing priorities for the Asian region and commitment to ESG principles. This means that corporate ESG commitments in Asian countries have accelerated, increasing the momentum of ESG investments in the region (PWC, 2020). Thus, this shows that sustainable investment is gradually receiving a positive response from various investors in the European region and Asia. It also shows that ESG has become an important part of the investment analysis process of global investors.

Focus on the performance of high-profile companies in Asian countries listed on the Sustainable Stock Exchange (SEE) that require companies to report ESG disclosures and commit to ESG issues. This is considered relevant to high-profile companies with higher exposure to ESG risks, given that companies operating in sensitive industries are more sensitive to ESG issues.

According to research by Garcia et al. (2017) on sensitive industries producing better ESG, applying sample observations of listed companies in developing countries, especially the BRICS group covering eight different industrial sectors, found research results that companies that are considered sensitive or tend to cause damage to the community environment have good environmental performance. Future research needs to pay attention to the coverage of company observation data that can represent both areas of the world country. Our research applies 847 company observation data from seven Asian countries on sustainable stock exchanges (SSE).

According to research by Aouadi & Marsat (2018) on whether ESG controversies matter for firm value, the firm value variable is the dependent variable, and ESG controversies are the independent variable. The results found that ESG controversies were associated with firm value when interacting with the company's social performance score; ESG controversies did not directly affect firm value. The study has not analyzed the influence of ESG controversies on other aspects, such as financial performance and social impact. Our research complements the analysis of ESG controversy with aspects of environmental, social, and corporate governance disclosures.

According to research by Albitar et al. (2020) on ESG disclosure and firm performance before and after IR, the moderating role of governance mechanisms, covering FTSE companies during 2009-2018, The findings revealed a positive and significant relationship between ESG scores and FP before and after 2013, suggesting a moderating impact of corporate governance mechanisms on the relationship between ESG and FP and companies voluntarily disclosing ESG tend to achieve better financial performance. Our research applies a complementary solution using firm observation data covering IDX, SET, NSE, SGX, and HKEX in SSE.

According to research by Mohammad & Wasiuzzaman (2021) on ESG disclosure competitive advantage and performance of firms in Malaysia, using companies listed on the Malaysian stock exchange in 2012-2017, showed findings that ESG disclosure improves company performance, business behavior is more responsible when ESG disclosure is better. Our research complements the exploration of the industry's influence on firms from developing and developed country settings in the Asian region.

According to Mahajan et al. (2023), the main idea of the stakeholder theory is that the success of the company depends on how well the company manages its relationships with stakeholders. The stakeholder theory indicates that business strategies are no longer designed solely for the benefit of the company and shareholders. However, a shift to a broader stakeholder model drives business decisions in a direction that benefits all interested parties. Creating a strategy responsive to the scale of priorities and stakeholder attention helps drive company performance. This is the company's way of managing relationships with different stakeholder groups through ESG disclosure to help companies improve performance (Mansouri & Momtaz, 2022).

Companies use ESG disclosure as a tool to demonstrate their commitment and awareness of ESG issues and their involvement in a range of acceptable activities to meet the expectations of various stakeholders. This shows that corporate responsibility for ESG issues can create a positive environment. Companies can gain a positive reputation and image among stakeholders, increase investor confidence, potentially increase resource efficiency, and keep the company competitive (Marshall et al., 2022).

Some of the findings of previous studies that examined sustainability adopted stakeholder theory to explain the mechanism of the relationship between ESG disclosure and company performance. Stakeholder theory is based on the perspective of corporate management, which emphasizes the sustainable survival of the company as a top priority (Na et al., 2023). The relationship between the company and these stakeholders has created pressure and obligation for the company to accommodate the interests and needs of its various stakeholders by implementing strategies to fulfill its responsibilities for three main aspects of ESG disclosure. In the conclusion of the literature framework, our research will use stakeholder theory to explain the relationship between ESG disclosure and performance, as well as the relationship between ESG controversy and the relationship between ESG disclosure and a company's performance.

The increase in public awareness related to environmental issues has resulted in companies being required to disclose information about their commitments related to their responsibilities in reducing and overcoming, as well as mitigating the negative impacts of the company's operations on the environment. These high-profile companies are included because of the potential for higher risks from the environmental impact that the company can cause. The findings of the results (Qureshi et al., 2020) observed a more significant relationship between sustainability disclosure in environmental aspects and the value of companies operating in sensitive industries; companies in sensitive industries achieved superior social performance and governance compared to non-sensitive industries. However, their observations must thoroughly touch on corporate controversies in sensitive industries.

There are several findings from previous studies that show that there is an influence between the disclosure of environmental aspects and the performance of a company. (Abdi et al., 2022) There are findings related to the positive correlation between the company's initiatives in the efficient use of materials, energy, and water in the production process and the company's financial performance because savings and reductions in operating costs will directly increase the company's profitability. Different research results were found (Yawika & Handayani, 2019), mentioning that environmental performance does not affect company performance. This is likely because the company's motivation for its commitment to environmental performance is based on fulfilling obligations rather than as a form of investment for companies to carry out better and environmentally friendly operational activities.

Despite mixed empirical evidence, our research supports a positive influence between environmental disclosure and company performance. Disclosure of environmental aspects can better impact company performance, including reducing risk, creating opportunities, increasing reputation, and providing competitive advantages. Considering the consequences, if a company ignores environmental risks, it can directly impact the long-term financial resilience of a company as it begins to affect access and cost of capital to the company. Consistent with stakeholder theory cr, maintaining good relationships and being able to provide benefits for its stakeholders allows the company to gain legitimacy, increase the value and reputation of the company, as well as the trust of its stakeholders, which ultimately affects the company's better performance (Mahajan et al., 2023). Although stakeholder theory emphasizes the importance of considering the interests of various parties in a company's operations, the relationship between the implementation of ESG practices and corporate financial performance is still a topic of debate, and further research is needed to reach a more definitive conclusion. In the context of Environmental, Social, and Governance (ESG), there is a debate on how ESG factors affect firm performance. Literature (Minggu et al., 2023) shows that the effect of ESG on financial performance and firm value does not provide unequivocal results, reflecting the controversial debate on the impact of ESG factors on firm financial performance. The findings of this study indicate that the company's commitment to environmental activities is still not well received by stakeholders (investors, creditors, government, and society), so it cannot impact the company's financial performance. Felix's research (Tanjaya & Ratmono, 2024) also shows debate about the relationship between environmental issues and firm performance, reflecting uncertainty about how environmental disclosure affects firm performance.

> **H1:** Disclosure of environmental aspects positively affects the performance of high-profile companies.

Corporate social responsibility significantly increases its relevance within the company. Stakeholder theory (Mahajan et al., 2023) reveals that the value and performance of the company can be determined through actions or strategies carried out by the company to orientate to meet the expectations and interests of its stakeholders. Disclosure of social aspects emphasizes good corporate relations with its stakeholders; for example, internal and external stakeholder groups can significantly improve the company's operational performance.

It is known that disclosure of social aspects emphasizes good corporate relationships with its stakeholders; for example, internal and external stakeholder groups can significantly improve the company's operational performance (Clark et al., 2014). Therefore, following stakeholder theory's view, meeting its stakeholders' needs and interests can turn corporate social responsibility into profit.

Several research findings show that there is an influence between disclosure of social aspects and company performance. (Xie et al., 2019) and (Qiu et al., 2016). There are findings of a positive relationship between profitability and disclosure of corporate social aspects, especially companies gaining profits through improving welfare and occupational safety and security standards for employees can increase their productivity and loyalty to the company in line with increasing company profitability. The government takes policy steps to improve welfare and prosperity, including development in various aspects of the field, both in the short and long term (Saleh & Wulandari, 2024).

According to Qureshi et al. (2020), the relationship between the disclosure of social aspects of companies operating in industries sensitive to social risks and company value is more significant compared to other industries. In conclusion, companies in the industry must be able to disclose information related to social aspects to create company value. The results of this study differ from the findings (Yawika & Handayani, 2019) that the company's performance in the social aspect does not affect the company's performance. This is considered because the average level of social disclosure made by the company is quite minimal, and the efforts made by the company in the social aspect are too focused on community empowerment only, not on the company's internal development that can provide added value to its financial performance.

Some of these studies support the potential for positive influence by considering good relationships with stakeholders, especially companies created through sustainable practices on social aspects, which can improve reputation and develop sustainable competitive advantage, and stakeholders will be more willing to support company operations. Stakeholder theory shows that the benefits obtained by companies from social responsibility practices come from improving good relations with various stakeholders.

> **H2:** Disclosure of social aspects positively affects the performance of high-profile companies.

Disclosure of governance aspects to its stakeholders is considered to be able to improve the company's performance because disclosing aspects of governance can reflect a reasonable, transparent, and professional management image in managing company resources (Sila & Cek, 2017). Although some research results only found an influence between disclosure of governance aspects and company performance.

According to Alareeni & Hamdan (2020), the finding that disclosure of governance aspects positively affects operational performance shows that a higher level of governance disclosure practices can improve the efficiency of the company's assets and market value, as well as provide helpful information for investors and other users of financial statements, reduce information asymmetry. and help companies improve their operations. In contrast to the findings of the research results (Lu & Li, 2023) that the disclosure of information on governance aspects has a negative influence on company value, which shows that the more companies disclose information related to governance aspects, the less conducive to the growth of the company's value, it is considered that the transparency of information disclosure is high in the aspect of governance, does not reflect the quality of the information, and the information disclosed needs to be explained properly.

H3: Disclosure of governance aspects positively affects the performance of high-profile companies.

Even if companies obtain a positive impact in terms of ESG practices on overall company performance, the existence of ESG controversies can put the company's reputation and sustainability at high risk. (Nirino et al., 2021) Finding a positive influence of ESG practices on a company's performance could be threatened by the company's involvement in ESG controversies, resulting in a decline in the company's financial performance in response to the adverse reactions of its stakeholders. Several previous researchers have emphasized different views (Marsat et al., 2022) that a strong company commitment to aspects of the environment can show that there is a reasonable risk management policy so that it can anticipate and overcome all environmental externalities. In the context of ESG responsibility, companies should develop competitiveness by seeking links between financial and non-financial objectives.

According to stakeholder theory, strong company performance in environmental aspects allows the company to achieve a competitive advantage by increasing trust relations with company stakeholders in the long term. Companies that demonstrate significant practices with sustainability can regain their good name after negative publicity surrounding their involvement in environmental issues and allow companies to mitigate the adverse effects of such ESG controversies.

H4: Disclosure of environmental aspects positively affects the performance of high-profile companies moderated by the ESG controversy.

Similar to ESG practices in environmental aspects, social aspects also present a controversial relationship with company performance. In this case, the company will lose that reputation if it gets involved in the ESG controversy. (Marsat et al., 2022) Found that the ESG controversy affects the company's reputation, reduces market value, and increases stock price volatility due to unethical and controversial company operational activities. Therefore, companies' involvement in ESG controversies often risks their reputation and sustainability.

Companies need practical action to address the adverse impact of ESG controversies in order to restore corporate reputation and relationships with their stakeholders to levels before controversies engage in sustainability practices (Li et al., 2018). Companies that are committed to social responsibility practices also contribute to increasing the capacity to influence their stakeholders. A good corporate reputation for social responsibility practices can reduce losses caused by adverse reporting from controversy.

H5: Disclosure of social aspects positively affects the performance of high-profile companies moderated by the ESG controversy.

The condition of good corporate governance practices is associated with an increase in corporate valuation, but more media attention to corporate controversies triggers higher stakeholder skepticism, leading to low credibility (Aouadi & Marsat, 2018). It is known that high-profile companies experience high social and environmental scrutiny compared to other companies, causing these companies to be able to maintain their licenses to continue operating (Shakil, 2021). It is important, through good governance practices, that companies can develop their culture with ethical and sustainability principles. When a company engages proactively in environmentally and socially responsible practices, its stakeholders trust the company more and do not overreact to potential controversies.

H6: Disclosure of governance aspects has a positive effect on the performance of high-profile companies moderated by the ESG controversy.

Methods

Our research uses a quantitative approach to test hypotheses that have been developed on the basis of stakeholder theory and previous related literature. This approach uses observational data collected from secondary data obtained based on the Refinitv Eikon and Osiris databases. The observation data samples of our study covered the observation period from 2010-2019; a total of 847 observational data were obtained from seven countries in the Asian region, namely, the Indonesian Stock Exchange (IDX), the Stock Exchange of Thailand (SET), the Bursa Malaysia, the Singapore Exchange (SGX), the Philippine Exchange (PSE), the National Stock Exchange of India (NSE), Hong Kong Exchange and Clearing Limited (HKEX), its criteria are listed on Sustainable Stock Exchanges (SSE) that have sustainability reports and ESG reporting is required as a company listing rule. From the purposive sampling method used by setting several criteria for high-profile companies in seven Asian countries, 9,628 companies were selected as samples. However, only 238 high-profile companies with ESG disclosure scores were available in the Eikon Revinitif database in 2010 to 2019. Then, 90 companies met all the predetermined sample selection criteria after deducting 139 companies not involved in the ESG controversy and nine companies whose financial data were unavailable in the database. Meanwhile, after deducting outlier data, the final sample was obtained from as many as 847 observations over 10 observation periods. Outlier data was excluded from the analysis because some companies did not disclose environmental, social, or governance information (zero score).

The selection of the 2010 period is based on the consideration that SSE, a UN partnership program organized by the Principle for Responsible Investment to introduce and promote responsible investment, was established in 2009. This study excludes the period 2020-2024 from the analysis because the global economic crisis due to the COVID-19 pandemic has caused the company to change its priorities. In this case, companies will focus more on crisis management and divert already scarce financial resources to address the health and economic consequences of the COVID-19 pandemic, so companies will likely delay many of their ESG policy initiatives. With the implementation of social distancing, PSBB, and PPKM, the wheels of the economy began to move slowly; the impact was that the system was not running correctly (Nasir et al., 2022). The COVID-19 pandemic has caused the economy to contract (Yuniarti & Sukarniati, 2021).

The dependent variable in our study is the performance of companies with a proxy for measuring Return on Assets (ROA). The calculation of ROA is done by dividing the company's net profit (after tax) by the total assets and expressed in percentage form. The independent variables in our study were the three main aspects of ESG disclosure: environmental, social, and governance disclosures. The three independent variables are measured based on scores obtained from the 2021 Eikon Refinitiv database, which has developed an index to measure the company's performance in environmental, social, and governance aspects transparently and objectively using ten key topic indicators. Control variables in our study in the form of firm size and leverage are considered to affect a company's performance. Firm size in this study is measured by the natural logarithm value of the company's total assets, and leverage is measured using the ratio value of total debt to equity.

Our research realizes that it only uses two control variables. Firm size is considered a control variable because it is one factor affecting the company's financial performance. Firm size is considered to affect the performance of a company. Leverage provides an overview of the capital structure owned by the company. Leverage can positively affect company performance because leverage can be treated as a tool to discipline management. The control variables use firm size and leverage (the level of corporate debt). These two variables empirically play a role in controlling external factors' influence on the relationship between the independent and dependent variables. Using firm size and leverage control variables in our study is quite beneficial in improving the accuracy of the research results and reducing bias. However, we realize the need for caution in using them due to potential multicollinearity, limitations in capturing external effects, and differences in the influence of these variables between industries. Therefore, as researchers, we added a diagnostic test in the form of a classic assumption test.

Environmental disclosure is measured based on scores obtained from the Refinitiv Eikon database. The environmental aspect score reflects the company's performance in environmental aspects based on three main categories, namely resource use, emission, and innovation. It consists of 68 measurement indicators used as assessment materials to see the extent of the company's concern for environmental aspects (Refinitiv Eikon Datastream., 2021). Refinitiv Eikon uses a score range between 0 and 100 to score a company's environmental performance. Social disclosure is measured based on scores obtained from the Refinitiv Eikon database. The social aspect score reflects the company's performance in social aspects based on four main categories: workforce, human rights, community, and product responsibility. It consists of 62 measurement indicators that are used as assessment materials to see the extent of the company's concern for social aspects. Refinitiv

Eikon uses a score range between 0 and 100 to provide scores in measuring the company's social performance. Governance disclosure is measured based on scores obtained from the Refinitiv Eikon database. The governance aspect score reflects the company's performance in the governance aspect based on three main key indicators: management, shareholder, and CSR strategy. It consists of 56 measurement indicators that are used as assessment materials to see the extent of the company's concern for the governance aspect. Refinitiv Eikon uses a score range between 0 and 100 to provide scores in measuring corporate governance performance.

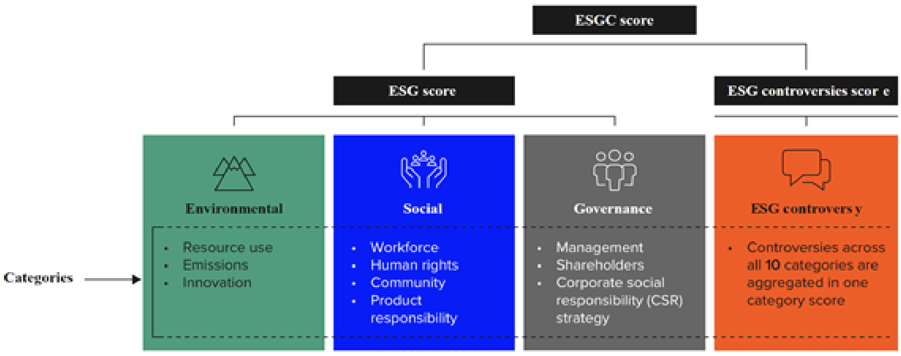

Figure 1. ESGC score description
Source: LSEG ESG Scores Data Base

Regression analysis was applied to our study using SPSS Version 26 software. Our research uses four research models; the first is a multiple regression analysis model used to directly examine the positive effect of three main aspects of ESG disclosure on company performance proxied with ROA. Then, the second, third, and fourth models, Moderated Regression Analysis (MRA), were applied to examine the moderating effect of the ESG controversy on the relationship between three main aspects of ESG disclosure and company performance. Here is the regression equation used in our study:

Model 1: $FP_{it}=\alpha_0+\beta_1 ENV_{it}+\beta_2 SOC_{it}+\beta_3 GOV_{it}+ +\beta_4 SIZE_{it}+\beta_1 LEV_{it}+\varepsilon_i$

Model 2: $FP_{it}=\alpha_0+\beta_1 ENV_{it}+\beta_2 ESGCONT_{it}+\beta_3 ENV*ESGCONT_{it}+\beta_4 SIZE_{it}+\beta_5 LEV_{it}+\varepsilon_i$

Model 3: $FP_{it}=\alpha_0+\beta_1 SOC_{it}++\beta_2 ESGCONT_{it}+\beta_3 SOC*ESGCONT_{it}+\beta_4 SIZE_{it}+ \beta_5 LEV_{it}+\varepsilon_i$

Model 4: $FP_{it}=\alpha_0+\beta_1 GOV_{it}+\beta_2 ESGCONT_{it}+\beta_3 GOV*ESGCONT_{it}+\beta_4 SIZE_{it}+\beta_5 LEV_{it}+\varepsilon_i$

Section Information:

FP_{it} = company performance in company I in year t
α = Constant
β = Regression coefficient
ENV_{it} = Corporate environmental disclosure score i in year t
SOC_{it} = Corporate social disclosure score i in year t
GOV_{it} = Corporate governance disclosure score i in year t
$ESGCONT_{it}$ = ESG controversy score of company i in year t
$SIZE_{it}$ = Size of company i in year t
LEV_{it} = Leverage of company i in year t
ε_i = Error Tolerance of company i in year t
i = company i
t = Year t

The moderating variable is the second independent variable believed to have a significant contributory effect or contingent effect on the relationship between the independent variable and the stated initially dependent variable; the moderating variable in this study is the ESG controversy (ESGCONT). This process begins with identifying research variables, namely independent, dependent, and moderating variables. Moderation analysis was conducted using the moderated regression method (MRA) to test the effect of interaction between variables. Testing the moderation hypothesis using multiple regression, significance tests, and interpretation of results to determine whether the moderating factor strengthens, weakens, or reverses the relationship of the main variables.

This study uses statistical tests, including the coefficient of determination (R^2), to explain the variation in the dependent variable. Classical assumption tests, including multicollinearity, autocorrelation, and heteroscedasticity Tests, are also applied to ensure the model meets statistical criteria and produces reliable estimates.

This research is accompanied by descriptive statistical analysis to provide an overview or explanation of the numerical distribution of data by presenting the mean, standard deviation, variance, maximum, and minimum values. In this case, these values aim to provide an overview or description for researchers of all data in this study, namely consisting of corporate performance variables, environmental disclosure, social, governance dimensions , and ESG controversy, as well as firm size and leverage.

Results

Descriptive statistical analysis of this study presents data characteristics in the form of sample size, minimum value, maximum value, mean (average), and standard deviation. The following table shows the results of the descriptive statistical analysis shown in Table 2 below:

Table 2. Descriptive Statistics

Variable	Number of Observations	Min	Max	Mean	Std.Dev
ROA	847	-88.9000	75,4000	6,753660	10,2737326
ENV	847	0,8900	95,9700	45,446989	23,4430043
SOC	847	1,4400	96,7700	52,079658	22,8444553
GOV	847	5,0200	96,4800	54,420366	21,5495444
ESGCONT	847	1,3200	100,0000	87,483943	24,1146982
ENV*ESGCONT	847	21,9924	9360,0000	3951.461575	2350,5129218
SOC*ESGCONT	847	47.2956	9677,0000	4516,816846	2349,7483888
GOV*ESGCONT	847	35,7852	9612,0000	4750,068016	2337,6835086
SIZE	847	11,2836	19,4248	15,973569	1,2840899
LEV	847	-975,5700	4145,3200	121,771322	271,2127940
Valid N (listwise)	847				

Notes: *ROA= Firm performance; ENV= Environmental disclosure score; SOC= Social disclosure score; GOV= Governance disclosure score; ESGCONT= ESG controversy score; ENV*ESGCONT= Interaction of environmental disclosure and ESG controversy; SOC*ESGCONT= Interaction of social disclosure and ESG controversy; GOV*ESGCONT= Interaction of governance disclosure and ESG controversy; SIZE= Firm size; LEV= Firm leverage ratio.*

Company performance in this research model is analyzed by Return on Assets (ROA), a profitability ratio that measures the company's efficiency in managing assets and the company's ability to generate profits during a specific period. Table 2 above shows that the average value of ROA is 6.753660 with a standard deviation value of 10.2737326. The lowest value of ROA was -88.9000 for Reliance Communications Ltd company in 2019, which is listed on the National Stock Exchange of India, while the highest ROA value was in the British American Tobacco Bhd company in 2015, which was listed on Bursa Malaysia.

The environmental score (ENV) available on the Eikon Revinitif database is used to measure the disclosure of environmental aspects made by each company. The average value of the disclosure of environmental aspects of the sample companies is 45.446989, with a standard deviation value of 23.4430043. The lowest value for the disclosure of environmental aspects is 0.8900, obtained by the CP All PCL company in 2011, which is listed on the Stock Exchange of Thailand, and the highest environmental disclosure value of 95.9700, obtained by Larsen & Toubro Ltd company in 2019 which is listed on the National Stock Exchange of India.

The social score (SOC) available on the Eikon Revinitif database measures the disclosure of social aspects made by each company. The average value of social aspect disclosure of the sample companies is 52.079658 with a standard deviation value of 22.8444553. The lowest value for disclosure of social aspects is 1.4400, obtained by Brilliance China Automotive Holdings Ltd in 2015, which is listed on the Hong Kong Exchange and Clearing Limited. Furthermore, the company Nestle India Ltd obtained the highest social disclosure value of 96.4800 in 2017, which is listed on the National Stock Exchange of India. The governance score (GOV) available on the Eikon Revinitif database is used to measure the disclosure of governance aspects made by each company. The average value of disclosure of governance aspects of the sample companies is 54.420366 with a standard deviation value of 21.5495444. The lowest value for disclosure of governance aspects is 5.0200, obtained by the company Cosco Shipping International Co Ltd in 2016, which is listed on the Philippine Exchange. Meanwhile, Dr. Reddy's Laboratories Ltd obtained the highest governance disclosure value of 95.9700 in 2017, which is listed on the National Stock Exchange of India.

The ESG controversy score (ESGCONT) available on the Eikon Revinitif database measures the disclosure of each company's involvement in ESG controversies. The average ESG controversy score of the sample companies is 87.483943, with a standard deviation value of 24.1146982. Reliance Communications Ltd, which is listed on the National Stock Exchange of India, obtained the lowest value for the ESG controversy score of 1.3200 in 2018. Meanwhile, companies obtained the highest ESG controversy score of 100.0000 when not involved in ESG controversies.

Firm size (SIZE) is used to measure the size of a company based on the value of the total assets owned by a company. The average value for the sample company size is 15.973569, with a standard deviation of 1.2840899. The lowest value for company size is 11.2836, obtained by the Advanced Info Service PCL company in 2010, which is listed on the Stock Exchange of Thailand. Furthermore, the highest company size value of 19.4248 was obtained by Country Garden Holdings Co Ltd in 2019, which is listed on the Hong Kong Exchange and Clearing Limited.

Then, leverage (LEV) in this study is measured using the ratio value of each company's total debt of equity. The average leverage value of the sample companies is

121.771322, with a standard deviation of 271.2127940. The lowest leverage value for the company is -975.5700, obtained by Tata Communications Ltd company in 2019, which is listed on the National Stock Exchange of India. Meanwhile, Tata Communications Ltd obtained the highest value of 4145.3200 in 2015, which is listed on the National Stock Exchange of India.

Classical assumption testing consisting of multicollinearity test, heteroscedasticity test, and autocorrelation test has been carried out by our research, and the results show that all research models have been fulfilled.

Table 3. Classical assumption test results

Classical Assumption Test	Test Statistics	Description
Multicollinearity Test	Model 1: All variable variance inflation factor (VIF) values < 10 and tolerance value > 0.10	No indication of multicollinearity
	Model 2,3,4 : Obtained a correlation value < 0.9	No indication of multicollinearity
Heteroscedasticity Test	Model 1: The significance values of all independent variables are 0.771, 0.052, and 0.253 > 0.05, respectively.	There is no evidence of heteroscedasticity
	Model 2: The significance values of all independent variables are 0,337, 0,238 and 0,204 > 0.05, respectively.	There is no evidence of heteroscedasticity
	Model 3: The significance values of all independent variables are 0,735, 0,652 and 0,591 > 0.05, respectively.	There is no evidence of heteroscedasticity
	Model 3: The significance values of all independent variables are 0,206, 0,137 and 0,164 > 0.05, respectively.	There is no evidence of heteroscedasticity
Autocorrelation Test	Model 1: Durbin-Watson (DW) values of 1,800 respectively dl, du, and 4-du values of 1.5420, 1.7758, and 2.2 are at 1.7758 < 1.800 < 2.2, indicating the du < dw < 4-du model	There are no symptoms of autocorrelation
	Model 2: Run Test significance value 0,059 > 0,05.	There are no symptoms of autocorrelation
	Model 3: Durbin-Watson (DW) values of 1,792 respectively dl, du, and 4-du values of 1,5420, 1,7758, and 2,208 are at 1,7758 < 1,792 < 2,208, indicating the du < dw < 4-du model	There are no symptoms of autocorrelation

Model 4: Durbin-Watson (DW) values of 1,777 respectively dl, du, and 4-du values of 1,5420, 1,7758, and 2,208 are at 1,7758 < 1,777 < 2,208, indicating the du < dw < 4-du model	There are no symptoms of autocorrelation

Then, based on the regression testing that has been done, the results are obtained in Table 4 as follows:

Table 4. Summary of Regression Test Results

Variable	**Model 1**		**Model 2**		**Model 3**		**Model 4**	
	Coef. β	Sig	Coef. β	Sig	Coef. β	Sig	Coef. β	Sig
ENV	0,007	**0,872**						
SOC	0,110	**0,009** ***						
GOV	0,101	**0,002** ***						
SIZE	-0,091	0,004 ***	-0,411	0,000 **	-0,400	0,000 ***	-0,380	0,000 ***
LEV	-0,393	0,000 ***	-0,093	0,003 **	-0,084	0,007 ***	-0,092	0,003 ***
ESGCONT			0,080	0,619	0,771	0,002	0,678	0,012 **
ENV*ESGCONT			0,082	**0,792**	-	-	-	-
SOC*ESGCONT					-1,057	**0,009** ***	-	-
GOV*ESGCONT							-0,829	**0,038** **
N	**847 Observation**							
R-Square	**0.189**		**0,187**		**0,197**		**0,195**	

Notes: ****significance at = 0.01, **significance = 0.05, *significance = 0.1, and with a value of n=847, the dependent variable is the company's performance proxied with ROA. The first model examines the direct effect of ESG disclosure on ROA, and the second, third, and fourth models examine the effect of moderation variables on each aspect of ESG disclosure.*

Table 4 shows that the coefficient of determination or R-Square value for the model is 0.189, which means that disclosure of environmental, social, and governance aspects explains 18.9% of the variation in high-profile company performance. Then, the second model obtained an R-squared value of 0.187, which means that 18.7% of the variation of the dependent variable is explained by the independent variable in the second hypothesis. The third model obtained an R-squared value of 0.197, which means that 19.7% of the variation of the dependent variable is explained by the independent variable in the third hypothesis. Meanwhile, the fourth model R-Square value of 0.195 shows that 19.5% of the variation of the dependent variable is explained by the independent variable in the fourth hypothesis.

In the first hypothesis, our test results showed a significance value of 0.872 for the environmental aspect disclosure variable. That is, disclosure of environmental aspects did not have a statistically significant effect on the performance of high-profile companies at a significance level of 0.05 (0.872 > 0.05). The second and third hypotheses obtained significance values of 0.009 and 0.002 < 0.05, respectively, and had coefficient values of 0.110 and 0.101, respectively. That is, disclosure of social aspects and governance aspects positively affects the performance of high-profile companies. Then, for testing the fourth hypothesis, a significance value of 0.792 was obtained for the interaction variable between disclosure of environmental aspects and ESG controversy. These results showed no statistically significant interaction effect at the significance level of 0.05 (0.792 > 0.05). In contrast, the fifth hypothesis obtained a significance value of 0.009 < 0.05 and a coefficient value of -1.057; these results show that ESG controversy weakens the positive influence of social disclosure on the performance of high-profile companies. Once with the sixth hypothesis testing, a significance value of 0.038 < 0.05 and a coefficient value of -0.829 were obtained, these results show that ESG controversy weakens the positive influence of governance disclosure on high-profile company performance.

The regression test results show that the disclosure of environmental aspects (ENV) does not significantly affect the performance of high-profile companies (measured by ROA), which means that hypothesis 1 (H1) is not supported. The results may be due to the disclosure score of environmental aspects in the research sample, which has an average disclosure score of 45.45, lower than the average disclosure score of social and governance aspects of 52.08 and 54.42. Scores in this range indicate that the company's level of transparency in disclosing material ESG information related to its environmental aspects to the public is considered insufficient.

The disclosures made by companies (e.g., sustainability report, annual report, CSR report, NGO website, company website, and news sources) are the core of Refinitiv Eikon's database methodology in assessing and measuring ESG disclosure scores. Therefore, when companies do not report material environmental disclosure data points based on predetermined indicators, it will negatively impact or affect their environmental disclosure score. Thus, the more material environmental disclosures are disclosed and fulfill the environmental measurement indicators, the higher the environmental score the company will get and vice versa.

The results of this study indicate that the company's ability to deal with ESG issues related to environmental aspects is not good enough, so it cannot provide added value to the company, which impacts better company performance. The results of this study also support the results of previous research, namely (Li et al., 2018), which found that corporate environmental performance does not have a significant effect on financial performance. However, most studies find that good environmental performance benefits the company. However, (Li et al., 2018) assessed that stakeholders in developing countries are considered to have insufficient environmental awareness, which may be due to the lack of clarity of regulations as well as laws related to the environment. As a result, the adverse effects on the environment caused by the externalities of corporate behavior are not internalized into the economic costs of the company, so companies tend not to disclose environmental information due to a lack of pressure and motivation. This is likely one of the reasons why the data in the sample has a relatively low average environmental disclosure score compared to the other two aspects of ESG.

The same thing is emphasized by (Clark et al., 2014) that it is not easy for companies to "go green," which is associated with high and increasing environmental compliance costs. Therefore, a comprehensive environmental management strategy cannot be separated from the costs that allow companies to concentrate more on disclosing the other two aspects of ESG, namely social and governance, in contributing to better company performance. Thus, it is difficult for high-profile companies to comply with all environmental aspects, as environmental problems or risks are inherent in their operations.

The regression test results in Table 4 show an interaction effect between social aspect disclosure and ESG controversy, which means that hypothesis 5 (H5) is supported. The direction of the interaction is negative, meaning that when the company is involved in the ESG controversy, it weakens the effect of social aspect disclosure on company performance. These results indicate that the ESG controversy influences the relationship between the disclosure of social aspects and the performance of high-profile companies by weakening the relationship.

The results of this study are research (Aouadi & Marsat, 2018) that the company's involvement in the ESG controversy will affect its reputation, reduce market value, and increase stock price volatility due to its operational activities that are considered unethical and controversial.

As shown in some data in the sample, for example, in 2018, the company British American Tobacco Bhd obtained a social score of 87.44 and an ROA value of 42.55. However, the ROA value in 2019 decreased to only 33.62 when the company was involved in the ESG controversy (with an ESGCONT score = 50). Even though in 2019, the company obtained a higher social score compared to 2018, which amounted to 88.94, with the company's involvement in the public health controversy, namely the company is required to recover public health medical costs for 26 diseases related to tobacco smoking or contact with cigarette smoke by the Brazilian solicitor general's office (Revinif, 2021) which has an impact on weakening or decreasing company performance.

The results of this study are based on the stakeholder theory, which states that when companies commit to social responsibility, they also contribute to increasing the influence capacity of their stakeholders. This means that when companies are involved in ESG controversies, these controversies can trigger reactions from their stakeholders, ultimately weakening the influence of social aspect disclosures on company performance. Therefore, a company's involvement in controversial ESG issues may affect its stakeholders' perception or assessment of its performance in terms of its social practices.

The regression test results in Table 4 show an interaction effect between disclosure of governance aspects and ESG controversy, which means that hypothesis 6 (H6) is supported. Then, the direction of the interaction is negative, which means that when the company is involved in the ESG controversy, it weakens the effect of disclosure of governance aspects on company performance. Thus, these results indicate that the ESG controversy influences the relationship between the disclosure of governance aspects and the performance of high-profile companies by weakening the relationship. This study's results align with the results found by (Aouadi & Marsat, 2018), who found that better corporate governance practices are associated with an increase in companies' assessment of their commitment to ESG issues. Therefore, greater media attention to the company's involvement in ESG controversies may trigger higher stakeholder skepticism, leading to lower credibility for the company.

As shown in some data in the sample, for example, YTL Corporation Bhd 2014 obtained a ROA value of 7.86 with a governance score of 43.22. However, when the company was involved in business ethics controversies in 2015, the company obtained an ROA value of 4.90 and a governance score of 36.27. In this case, YTL Communications Sdn Bhd, which is a unit of YTL Corporation Bhd, was unable to fulfill its contractual obligations with the Ministry of Education in Malaysia in implementing the 1BestariNet e-learning project, so the company was threatened with fines worth RM 663 million for its failure to provide internet connections to more than 4,000 schools (Revinitif, 2021). This shows that the company's involvement in controversies related to business ethics in general, which is closely related to corporate governance, affects their ROA and governance scores, which decrease compared to when the company is not involved in controversies.

Discussion

Disclosure of environmental aspects does not significantly affect the performance of high-profile companies (measured by ROA), which means that the first hypothesis (H1) is not supported. The results of the study were likely due to the environmental aspect disclosure score in the research sample having an average disclosure of 45.45, which was lower than the average disclosure of social and governance aspects of 52.08 and 54.42; the range score shows that the company's level of transparency in disclosing material ESG information related to its environmental aspects to the public is considered inadequate.

The environmental aspect disclosure score indicates how well the company implements management related to environmental risks and the level of transparency in reporting material ESG issues to the public. These ESG rating indications are used to assist investors and other stakeholders in identifying and understanding financially material ESG risks to a company's business. The low average environmental aspect disclosure score obtained by a company compared to the disclosure of the other two aspects indicates that the company has a relatively higher environmental risk exposure and is considered to create risk for investors in investing in a company. This indicates that the level of transparency of companies in reporting ESG data to the public is inadequate, so they have not been able to communicate well-related information about material environmental issues financially to stakeholders. The results of this study support the suitability of the results of several previous studies, such as research (Yawika & Handayani, 2019) and (Li et al., 2018).

The results of our research are supported by the concept of the stakeholder theory, stating that when the company gets a good score on environmental aspects, it can increase the value and reputation of the company, as well as the trust of all company stakeholders, ultimately affecting better company performance. Good corporate environmental practices are ultimately assessed as competitive advantages and better company performance. Our results show that high-profile companies with relatively low average environmental disclosure scores show low environmental commitment and performance levels. Some of our results show that ESG controversy does not influence the relationship between environmental disclosure and high-profile company performance. In conclusion, our results show that corporate involvement in ESG controversies does not significantly influence the relationship between environmental disclosure and high-profile company performance. These results are likely to be influenced because there is no direct relationship between disclosure of environmental aspects and performance, so the moderating effect of the ESG controversy does not have an effect.

Disclosure of social aspects has a significant positive effect on company performance (measured by ROA). These results show a positive influence between the disclosure of social aspects revealed by high-profile companies in sample observations of their performance. That is, the better the disclosure of the company's social aspects, the better the company's performance. Our research draws on previous research, such as Mansouri & Momtaz (2022) finding that the long-term benefits companies derive from their social practices are stronger in companies in industries that depend on reputation, brand, and large amounts of natural resources. Our results show that the disclosure of social aspects by high-profile companies in sample observations suggests social practices can contribute to better company performance; according to the view of the stakeholder theory, meeting its stakeholders' needs and interests can turn corporate social responsibility into profit (Mahajan et al., 2023). The results of our research indicate that good relationships and effective communication with stakeholders through social disclosure can help build the reputation, trust, and loyalty of stakeholders to the company, thus impacting company performance.

The findings of this are the effect of interaction between the disclosure of social aspects and ESG controversy, meaning that this study's fifth hypothesis (H5) is supported. The direction of interaction is negative, interpreted when the company is involved in ESG controversies, and it weakens the influence of social aspect disclosure on company performance. These results show that ESG controversy influences the relationship between social disclosure and high-profile company performance, which can weaken related party relationships. The results of our research are by several research results (López Prol & Kim, 2022) and (Becchetti et al., 2023). The concept of stakeholder theory states that when companies are committed to social responsibility practices, then they also contribute to increasing the capacity to influence their stakeholders. It is interpreted that when companies are involved in ESG controversies, these controversies can trigger reactions from stakeholders, thus weakening the influence of social aspect disclosure on company performance.

Disclosure of governance aspects has a positive but insignificant effect on company performance (measured by ROA), so our third hypothesis (H3) is appropriate and supported. Our results show a positive influence between the disclosure of governance aspects disclosed by high-profile companies in sample observations on company performance. Good governance practices are interpreted to be a significant factor in improving company performance. The results of our study several studies are suitable (Melinda & Wardhani, 2020), which concluded the results that the higher the disclosure score of corporate governance aspects, the better the performance of corporate governance, and can provide signals to investors and other stakeholders about the company's condition. To the previous affirmation, the value of disclosure of governance aspects is closely related to the company's operations, plays a vital role in the company's management, and is oriented toward fulfilling the interests of its stakeholders.

Our findings show an interaction effect between the disclosure of governance aspects and ESG controversy, which is interpreted by our sixth hypothesis (H6) as appropriate and supported. The direction of negative interaction, interpreted when the company is involved in ESG controversies, weakens the influence of disclosure of governance aspects on company performance. The results suggest that ESG controversies have an effect on influencing the relationship between disclosure of governance aspects and high-profile company performance by weakening the relationship. Our research results are from the research conducted by Aouadi & Marsat (2018) and Zahid et al. (2022).

Conclusion

Our research empirically examines the effect of each ESG aspect disclosure, namely disclosure of environmental, social, and governance aspects, on high-profile company performance. This study analyzed the effects of the ESG controversy in moderating the relationship between the three main aspects of ESG disclosure on the performance of high-profile companies. The method used in our research is quantitative; the object of research on high-profile companies in Asian countries listed on the Sustainable Stock Exchange (SSE). Based on the testing we have done, the results of this study can answer the research questions that have been asked.

The results of our study concluded three critical things; first; the company's ability to handle ESG issues related to environmental aspects is considered not good enough, so it cannot provide added value for the company to impact better high-profile company performance. Regarding the aspect of adding variables moderating ESG controversy, the analysis results show ESG controversy cannot moderate the relationship between disclosure of environmental aspects and high-profile company performance. Interpreted as the company's involvement in the ESG controversy during the observation period, it did not significantly influence the relationship between the disclosure of environmental aspects and high-profile company performance. Second, the disclosure of social aspects by high-profile companies shows that their social practices can contribute to good company performance. It is interpreted that social disclosure is considered to help the company build the reputation, trust, and loyalty of stakeholders to the company, thus impacting the company's performance. The involvement of ESG controversies is considered to trigger various adverse reactions from stakeholders, thus weakening the influence of social aspect disclosure on company performance. The third finding is that disclosing governance aspects disclosed by high-profile companies positively and significantly influences company performance. It is interpreted that industries in high-profile companies have increased their responsibility and accountability to stakeholders, thus impacting good company performance. Involvement in ESG controversies during the observation period was judged to generate stakeholder skepticism, resulting in lower credibility of its stakeholders.

Limitation

Our research certainly has limitations, which can be corrected in future research. Our study only used ESG disclosure and controversial ESG score data available on Eikon's Refinitiv database. However, the number of high-profile companies with ESG data in that database is small or limited. Future research can use other databases such as MSCI, Bloomberg, KLD, or other ESG measurements so that the number of observational data is more representative. This research was only conducted on high-profile companies in seven Asian countries listed on the Sustainable Stock Exchange. Research can be continued, expanding the scope of observation data of research samples, referring to companies listed on the principle for responsible investment.

The results of our research can have theoretical and practical implications. The real implications of the research results on sustainability-related literature by further analyzing the effects of each disclosure of ESG aspects on corporate performance in the context of high-profile companies in Asian countries, as well as by including the mechanism of the moderating role of ESG controversy in the analysis are expected to complement previous studies. In addition, this study provides new insights by analyzing each sub-industry in the high-profile category in this study that has a dominant effect on the influence of ESG disclosure on corporate performance.

The practical implications of the research results can be an essential consideration for companies in increasing their commitment to integrating ESG aspects in their business, especially in social and governance aspects that contribute to better company performance. Also, companies can re-evaluate their performance in environmental aspects because their disclosure of environmental aspects has yet to be able to have an impact on company performance. In addition, the existence of ESG controversy that has an impact on weakening the relationship between ESG disclosure and performance is expected to be used by companies to consider it as one of the factors that influence stakeholders in assessing company performance.

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