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Analysis of ESG Disclosure Practices in Healthcare Sector Companies

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ABSTRACT

This study aims to describe the disclosure of ESG, environmental, social, and governance dimension practices in healthcare sector companies listed on the Indonesian Stock Exchange from 2021 to 2022. This research used a descriptive study to describe ESG disclosure in healthcare companies. The research objects are 28 healthcare sector companies listed on the Indonesian Stock Exchange from 2021 to 2022. The result shows that the ESG disclosure in Indonesian healthcare sector companies based on the GRI Standard needs to be higher and more informative. In the environmental aspect, the average quantity of ESG disclosure is 38.65%, while the quality of disclosure is 31.94%. In the social aspect, the average amount of ESG disclosure is 43.47%, while the quality of disclosure is 31.10%. In the governance aspect, the average quantity of ESG disclosure is 53.82%, while the quality of disclosure is 37.78%.

Keywords: disclosure quality; disclosure quantity; ESG; healthcare

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INTRODUCTION

The primary motivation of a company is to make a profit by producing and selling goods or services to consumers at prices higher than the production costs (Kotler & Armstrong, 2021). In the short term, the profits generated benefit the company, but the company's operations also incur environmental damage costs and issues regarding sustainability (Khan et al., 2021). Sustainability trends have proliferated in recent years across global companies and organizations worldwide (Fernando et al., 2022). According to Zhang & Tavitiyaman (2022), sustainability is a long-term and comprehensive view of a company's awareness and actions toward its financial, social, and environmental impacts. So, companies need to consider sustainability aspects in business processes, as the Triple Bottom Line (TBL) states.

The Triple Bottom Line (TBL), designed by Elkington (1998), proposes that business goals must be distinct from the society and environment in which they operate. The three dimensions of TBL, the three Ps, consisting of people, planet, and profit, have been adopted as part of the company's sustainability strategy (Aris et al., 2018). More and more companies are realizing that profits alone are not enough to ensure long-term business continuity but they must also meet stakeholder demands (Azkia & Mulyani, 2018). The Triple Bottom Line concept is very relevant to the current condition of companies facing major sustainability problems and the negative impacts caused by business activities on society and the environment (Khan et al., 2021). The COVID-19 pandemic, climate change, and other environmental crises mean that companies cannot ignore business's social and environmental impacts (Ruan & Liu, 2021). Companies need to adopt a more holistic and sustainable approach to managing their business, considering factors such as carbon emissions, use of natural resources, and impacts on local communities (Thomas & Shures, 2023). This concept provides a more comprehensive view of business performance and allows companies to consider their impact on various stakeholders in strategic decisions (Carter et al., 2019; Wu & Shen., 2019).

In 2006, the concept of Environmental, Social, and Governance (ESG) was introduced by the United Nations (UN) through the Principles for Responsible Investment (PRI). ESG emerged because of responsible investment (Fonseca, 2020), which is defined as "strategies and practices for integrating environmental, social and governance factors in investment decisions and active ownership" (Principles for Responsible Investment (PRI), 2021; Li et al., 2021). ESG broadly refers to social, environmental, and corporate governance considerations that can influence a company's ability to carry out business strategies and build long-term value. Shah & Ganji (2012) state that as public awareness of social and environmental issues increases, companies continue to be encouraged not only to seek profits but also to pay attention to the impact of their operational activities on the community and the surrounding environment. According to KPMG International (2022), approximately 96% of the 250 largest global companies publish sustainability reports for ESG disclosures. The research sample consisted of companies in 58 countries, with 79% reporting ESG or sustainability issues in 2022, with an increase of 2% from 2020 (KPMG International, 2022).

Initially, ESG reporting was voluntary for companies. Some companies report environmental or social performance information to create an image of corporate social responsibility (Ferdous et al., 2019). In Indonesia, companies that go public must carry out sustainability activities according to regulations in Law No. 40 of 2007. This regulation stipulates that all companies operating in the natural resources sector are socially and environmentally responsible. The Financial Services Authority (Indonesian: *Otoritas Jasa Keuangan*, abbreviated OJK) also issued regulations in 2017, OJK Regulation No. 51, which regulates the preparation of sustainability reports, whether separate from the annual report or not. OJK also issued Circular Letter Number 16 of 2021, which regulates the preparation of sustainability reports for issuers and listed companies that provide information regarding sustainability strategies and governance. This includes efforts to understand risks such as climate change and its

mitigation and provide input for sustainable performance from an economic, social, and environmental perspective. In addition, in 2020, OJK stipulated OJK Regulation Number 29 that companies must implement good governance to increase social and environmental awareness (Woro & Dewita, 2022). Sustainability reporting provides non-financial information, one of which is ESG-related information, to address concerns and meet the expectations of stakeholder groups, especially external stakeholders (Romero et al., 2019). Similar to financial reporting, sustainability reporting increasingly highlights the materiality of ESG information presented in ESG disclosures (Garst et al., 2022; Ruiz-Lozano et al., 2022). By making ESG disclosures, companies are expected to be able to meet good corporate governance (GCG) standards in their operations based on people, planet, and profit orientation. Suppose a company implements GCG appropriately and effectively. In that case, it will positively impact the company itself, which can result in a good reputation in the eyes of the public and investors (Abideen & Fuling, 2024). With a better reputation, a company can increase consumer trust and, ultimately, positively impact its presence in the market. Yadav et al. (2016) stated that good governance could help overcome agency problems and increase the economic value of the stock market. This will improve the company's overall performance.

Company ESG disclosures can be seen in corporate social responsibility (CSR) and sustainability reports. Saha & Khan (2024) state that by implementing ESG concepts, companies can gain several benefits, such as improving their reputation, increasing access to capital markets, increasing efficiency, and reducing waste. These benefits can be a determining factor that drives a company's financial performance. Based on the Asian Corporate Governance Association survey (2021), Indonesia ranked bottom of the 12 Asia-Pacific markets. Therefore, it is unsurprising that Environmental, Social and Governance (ESG) practices cannot be implemented optimally and evenly across all sectors. This is because not all sectors have a direct impact on the environment. In addition, ESG activities are considered company costs (Singh & Jaiwani, 2024). This is reflected in the fact that many companies still need to realize the importance of implementing sustainable reporting practices and disclosing ESG information transparently to the public. The Asia Sustainability Report during the 2021 pandemic revealed that only 42 out of 767 companies in Indonesia published sustainability reports referring to the GRI (Global Reporting Initiative) guidelines in collaboration with the Indonesian Accounting Association and the Ministry of the Environment.

The International Association for Public Participation Indonesia (2022) stated that the challenges in encouraging the implementation of sustainable concepts in Indonesia have caused this movement to move slowly. These obstacles include a suboptimal understanding of ESG practices, limited resources, and high consultation costs related to managing ESG aspects. Therefore, it is hoped that support and policies from the government will be encouraged so that understanding of sustainable investment among the business world and other stakeholders can increase significantly (Parameswar, Hasan, Shri, & Saini, 2023). By disclosing ESG information, it is hoped to attract the attention of investors who use ESG as an indicator to assess a company's long-term sustainability. Apart from that, it also has the potential to improve the company's image in the eyes of the public by gaining a good reputation, which in turn can increase customer loyalty and the company's long-term performance (Buallay, Fadel, Alajmi & Saudagaran, 2021).

During the pandemic, the healthcare sector experienced an increase in productivity and made huge profits (Allianz Indonesia, 2020; Rahmawati & Sembiring, 2022). This is because this sector is really needed and sought after by the community to help maintain their healthcare during the pandemic (Savarese et al., 2021; Rahmawati & Sembiring, 2022). In the first quarter of 2021, several hospitals registered as public companies on the IDX experienced increased revenue and profits. One example is PT Siloam International Tbk (SILO), which recorded revenue of IDR 1.91 trillion, an increase of 32.6 per cent compared to the first quarter of the previous year. In addition to this increase in income, the profit

obtained also increased by 786 per cent or around eight times from the same period previously. The profit recorded in the first quarter of 2021 reached IDR 143,890,000,000, while in the previous year, it was only IDR 16,190,000,000. Apart from PT Siloam, Mitra Keluarga Karyasehat and PT Medikaloka Hermina also experienced a similar trend in the same period (Iswara, 2021). The Central Statistics Agency (BPS) shows that the healthcare sector GDP increased by 10.46% in 2021 and contributed 1.34% of Indonesia's total GDP. Apart from that, IDX statistics show that the market capitalization value in the healthcare sector from 2019 to 2021 has increased by 18.65%. This encourages healthcare sector companies to maximize ESG disclosure practices (Siregar et al., 2022). The study found that most Indonesian healthcare sector companies have adopted ESG principles and begun reporting their performance in this area. This is proven by the results of research by Rohmawan et al. (2021) as follows:

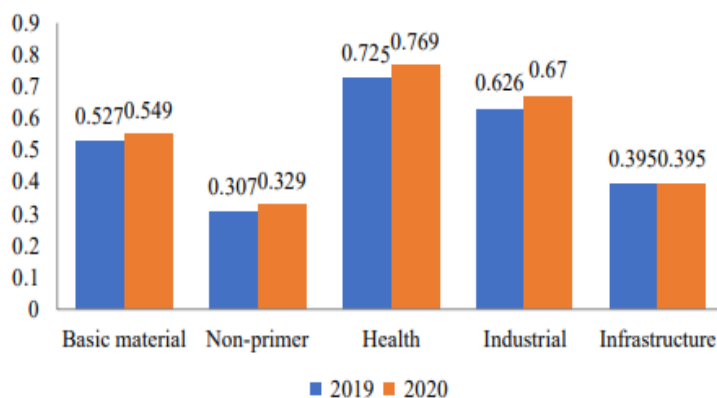


Figure 1. CSR disclosure graph per sector
Source: Rohmawan et al. (2021)

Based on Figure 1, the healthcare sector received the highest CSR score during the pandemic. By implementing social and environmental-based investments, the healthcare sector hopes to gain public loyalty and trust through ESG practices. According to Kalia and Aggarwal (2022), ESG disclosure can lead to increased efficiency, competitive advantage, and investor confidence. Apart from that, it can also improve relations between healthcare sector companies and stakeholders. It can have a positive impact on profitability and long-term sustainability. Furthermore, through implementing ESG initiatives in the healthcare sector, companies can improve their public image, thereby increasing customer loyalty and trust. Ultimately, healthcare sector companies can significantly benefit from ESG disclosure by improving their financial performance, risk management, and public trust (Kartika et al., 2023). The research results by Rohmawan et al. (2021) prove that the healthcare sector is ranked first based on financial performance as measured by a ROA value of 0.225. Disclosing ESG practices is also helpful in increasing share sales in the capital market. Based on the above background, the healthcare sector is the only sector that has made enormous profits during the pandemic (Allianz Indonesia, 2020). The company's operational activities impact the environment, social issues, and the focus on governance. Therefore, it is essential to look at ESG disclosures in this sector.

Many studies have been conducted on ESG disclosure. However, previous studies have examined the relationship between ESG and other variables. The results of previous studies are also inconsistent due to differences in countries in the target objects. This is related to company awareness and regulations in each country. Aboud & Diab, (2018); Fatemi et al., (2018); Yoon et al., (2018) Kalia & Aggarwal (2022), and Safriani & Utomo, (2020) showed a positive influence between ESG and financial performance. Kalia and Aggarwal (2022) and Melinda & Wardhani (2020) showed that ESG activities

have a positive effect on the financial performance of healthcare companies in developed countries. However, Melinda & Wardhani (2020) showed that ESG has a negative effect on financial performance in developing countries. Aditama (2022) and Kartika et al., (2023) stated that environmental, social, and governance (ESG) do not affect company value.

Several studies on ESG disclosure have also been conducted in different sectors. Samuel and Sibarani (2022) showed that oil and gas sector companies in Indonesia have not implemented ESG practices optimally. Siregar et al., (2022) showed that ESG disclosure in pharmaceutical companies is relatively high. The company complies with the items explained according to OJK regulations. Based on the inconsistency of previous studies, it is important to examine ESG disclosure items for companies in detail. This study has a limitation which only examines the quantity of corporate disclosure, neglecting the quality of the disclosure. This research focuses on analyzing ESG (Environmental, Social, and Governance) disclosures specifically in healthcare sector companies. It is important to note that the healthcare sector has experienced substantial profits during the pandemic (Allianz Indonesia, 2020). A company's operational activities undoubtedly impact the environment and society, shedding light on its governance. Therefore, it is crucial to assess ESG disclosure within this sector. The main contribution of this study is to evaluate the aspects that healthcare companies still need to disclose and the rationales behind certain disclosure choices.

Stakeholder Theory

Stakeholder theory states that companies do not just function for their internal profits but are obliged to contribute value and profits to various related parties (stakeholders), including the government, investors, consumers, society, creditors, analysts, suppliers, and other parties (Freeman, 1994). Thus, a company's existence depends on stakeholders' support (Safriani & Utomo, 2020). Freeman (1999), in developing stakeholder theory, shows that two competing views dominate the stakeholder concept: ethical and managerial (Leung & You, 2023). According to the ethical view, companies must provide transparent social and environmental information to all stakeholder groups to meet stakeholder expectations. In addition, stakeholders can request certain social and environmental information (Freeman, 1984; Mitchell et al., 1997; Leung & You, 2023). Then, according to the managerial view, identifying and evaluating the importance of stakeholders is done through managerial assessment.

Companies need to maintain good relationships with stakeholders while considering and meeting their desires and needs, especially stakeholders who significantly influence the availability of resources used in operations, such as owners, suppliers, communities, customers, and the environment (Chariri & Ghazali, 2007). Profits do not guarantee the company's survival because the company interacts with other stakeholders. Therefore, companies must maintain relationships with other stakeholders by managing their operations based on the principles of profit, people, and planet, often known as the triple bottom line.

Triple Bottom Line (TBL)

The Triple Bottom Line (TBL) concept formulates that the sustainability and growth of a company does not depend solely on financial profit (profit) but on the company's actual actions in the environment (planet) and social justice (people) (Elkington, 1998). If applied within a company, the Triple Bottom Line (TBL) concept will impact sustainable development, improve the company's image, measurable performance, and product quality, increase the reputation of the company's financial capabilities, and provide good service. TBL consists of three main pillars: planet, people, and profit, also known as 3P. The people aspect focuses on the company's responsibility to maintain the welfare of human resources. It involves fulfilling workers' rights, providing adequate facilities, creating a work

environment that complies with safety standards, establishing reasonable and acceptable working hours, and avoiding exploitative practices against employees and minors. In addition, a more comprehensive approach involves establishing a Corporate Social Responsibility (CSR) program to empower the community. People, or the community, are critical stakeholders for the company. This is due to the crucial role of community support in the company's continuity, existence, and development. Therefore, companies must actively try to provide society with the most significant benefits.

The planetary aspect emphasizes the company's commitment to environmental sustainability, including its efforts to minimize energy consumption, reduce waste, and manage resources responsibly. On the other hand, the profit aspect underscores the importance of seeking economic profits aligned with the company's initial objectives for its survival (Basar et al., 2023). It's important to note that the concept of profit extends beyond business income, with a focus on ethical and just practices in generating revenue (Anonymous, Sinergy, 2017). This encompasses various aspects, such as ethical procurement practices to avoid supporting suppliers engaged in exploitative activities that harm natural resources. This approach reflects the company's dedication to environmental preservation and responsible resource management (Michael et al., 2019).

Environmental, Social, and Governance (ESG)

ESG refers to company activities related to the surrounding ecology, environmental interactions, internal control system, and social aspects. ESG implementation aims to achieve company goals and meet stakeholder needs (Li et al., 2021). The research results by Leung and You (2023) show that applying ESG practices in healthcare services can reduce costs or waste and create a more sustainable or concerned future. It was also stated by Baier et al. (2020) that ESG is the foundation for implementing corporate social responsibility and sustainable business. Examples of ESG practices in healthcare include reducing energy consumption, promoting diversity and inclusion, and ensuring ethical financial practices. According to Alameddin (2022), ESG disclosure practices are explained in terms of environmental, social, and governance aspects.

Environmental Aspects

Companies must evaluate their operations and environmental impact in an environmental context. It involves responsibility for reducing carbon emissions and preserving ecosystems. In general, Alameddin (2022) stated that companies are responsible for reducing carbon emissions. This is done by using renewable energy sources, using environmentally friendly equipment, using equipment to absorb or filter carbon that is harmful to the environment, and having a carbon certificate if the company produces emissions that exceed the limits set by the Paris Agreement. According to Dion & Evans (2022), the carbon emission reduction practices of healthcare sector companies are explained as follows: replacing fluorescent lamps with LED lamps; installation of a high-performance electric motor for the cooling system; replacement high-consumption equipment with more energy-efficient ones; replacement of vacuum pumps with lower consumption equipment; solar heating systems and photovoltaic (PV) panels; ensuring temperature regulation and efficient ventilation to reduce unnecessary energy consumption; ensuring that medical equipment not in use is turned off or in energy saving mode; using solar water heating systems or geothermal heat pump systems to reduce dependence on conventional energy sources; as well as encouraging the use of environmentally friendly transportation such as bicycles, or vehicle sharing programs to reduce air pollution and carbon emissions in the company's environment.

Social Aspects

The social aspect of ESG reflects the company's attention to its stakeholders. This includes internal parties such as company staff and employees and external parties involving the community, buyers, government, suppliers, and other interested parties with direct or indirect relationships with the company. According to Alameddin (2022), there are five main points of discussion of corporate social responsibility, namely gender equality, education and training, consumer protection, and health.

Governance Aspects

The third aspect is governance. In this aspect, companies are expected to pay primary attention to how the company is managed internally, considering effective management and corporate governance. According to Alameddin (2022), several factors in fulfilling good corporate governance are: considering ESG programs in the company's business strategy; orders from upper management (CEO and managers) to all staff and employees to implement the ESG program in accordance with the business strategy that has been prepared; the composition of the board should have one or two people who have knowledge and experience of ESG practices; the board of directors should establish a board committee consisting of ESG specialists and establish an agenda to discuss the design of ESG practices; an evaluation report on the suitability of ESG practices with business strategy; disclosure of ESG reports to company stakeholders; ESG reports must be third-party verified; companies must strive to meet all ESG indicators; risk management that considers ESG; material assessment of ESG practices; proportional implementation of ESG, ESG training for the board of directors; corporate code of ethics; selecting suppliers who prioritize ESG practices in their business implementation.

RESEARCH METHODS

This research used a qualitative descriptive approach. The analytical method applied was content analysis of ESG disclosures in healthcare sector companies in Indonesia. Content analysis is an observational research method applied systematically to evaluate the content of various forms of communication records (Sekaran & Bougie, 2017). The object of this research consisted of 28 companies in the healthcare sector listed on the Indonesia Stock Exchange during 2021-2022. In a broader scope, this sector can be grouped into two main sub-sectors: companies operating in the healthcare services and equipment sector and companies operating in the pharmaceutical and healthcare research sectors. During the pandemic, healthcare sector companies made significant profits. Then, based on data on CSR disclosures per sector of public companies in Indonesia, it is known that the highest CSR disclosures are from companies in the healthcare sector. The objects of this research were 28 companies with two years of observation. Therefore, 56 observation data were obtained. This research used secondary data obtained from annual reports and company sustainability reports. This secondary data was taken from the IDX.co.id site or the company website for 2021-2022.

RESULTS AND DISCUSSION

Descriptive Statistics

The healthcare sector is essential in this country's economy. Based on IDX data, until 2022, 28 healthcare sector companies will be on the Indonesian Stock Exchange. In a broader scope, this sector can be grouped into two main sub-sectors, including healthcare services and equipment, pharmaceuticals, and healthcare research. Descriptive statistical analysis provides a comprehensive picture of the company based on minimum, maximum, average, and standard deviation. The data used in this research are derived from annual and sustainability reports from 28 healthcare-related companies in 2021 and 2022. Table 1. describes the quantity of information disclosure in companies'

annual and sustainability reports. The following is a summary table of descriptive statistics for ESG disclosure quantity variables:

Table 1. Results of descriptive statistical analysis for ESG disclosure quantity

	Min	Max	Mean	Median	Std. Deviation
Proportion of Environmental Disclosure	0	0.838	0.3865	0.4516	0.2010
Proportion of Social Disclosure	0	0.9375	0.4347	0.4375	0.2368
Proportion of Governance Disclosure	0	0.8621	0.5382	0.5862	0.2376
Proportion of ESG Disclosure	0	0.8261	0.4511	0.4728	0.2034

Source: Data processed by Excel 2023

Based on the results of the descriptive analysis in Table 1, The average company discloses ESG in quantity at 45.11 per cent, with the average value at 47.28 per cent. This indicates that companies in the healthcare sector in Indonesia still have relatively low disclosure levels (less than 50%), based on the GRI standards. In line with research conducted by Kuswanto (2019), the suitability of information disclosure based on GRI standards in sustainability reports in Indonesia still needs to be higher (18.9%). The data distribution for the quantity of ESG disclosure consists of environmental, social, and governance aspects. Table 1 shows that the level of disclosure of environmental aspects in ESG has the lowest value, namely 0% owned by PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest value was 26 or 84%, namely PT Prodia Widyahusada Tbk. (PRDA). This high ESG disclosure follows stakeholder theory, as the company prioritizes the expectations and interests of stakeholders (Srivastav & Hagendorff, 2016). For example, if a company conducts activities that violate ESG, it receives protests from stakeholders. The demonstrations will impact the company's main business, for example, a decrease in revenue. Internally, employee dissatisfaction can lead to strikes in various forms, such as stopping production or not providing services. All forms of ESG non-compliance risk will turn into financial risks. Thus, ESG performance is related to several risks and uncertainties (Singh & Jaiwani, 2024).

The highest score of social disclosure is PT Mitra Keluarga Karyasehat Tbk. (MIKA) that got 93% in 2022. The company provides comprehensive information related to social aspects to all stakeholders that have been involved. For example, the company conveys its obligations as a public company to offer products and services to consumers and address employment issues, society, and suppliers. The average of social disclosure in the healthcare industry is 43%. From these data, the average disclosure of social aspects is relatively low, as can be seen from comparing the average and minimum values. Meanwhile, data variations are heterogeneous, as reflected by comparing the average value with the standard deviation, which is quite significant. The most frequently expressed dimension is related to consumer interests. Therefore, many healthcare sector companies consider consumers their primary stakeholders.

Four companies do not disclose the governance aspect in their sustainability report. The highest value for disclosure of governance aspects also in PT Mitra Keluarga Karyasehat Tbk is 86%. Governance is a fundamental function, as it defines the structure of decision-making processes within any organization. Governance is centered around board size, structure, and independence; gender diversity; skills development; internal control; information accessibility; ethical codes; shareholder relationships and engagement (Sciarelli, Cosimato & Landi, 2021).

Table 2. Results of descriptive statistical analysis for the quality of ESG disclosures

	Min	Max	Mean	Median	Std. Deviation
Proportion of Environmental Disclosure Quality	0	0.968	0.3194	0.3508	0.1787
Proportion of Social Disclosure Quality	0	0.6406	0.3110	0.3125	0.1744
Proportion of Governance Disclosure Quality	0	0.6897	0.3778	0.4052	0.1657
Proportion of ESG Disclosure	0	0.5924	0.3349	0.3465	0.1557

Source: Data processed Excel 2023

The second variable is the quality of the company's ESG disclosure. The quality of disclosure is seen not only by the number of items disclosed but also by how extensive and informative the company's disclosure is. Generally, companies in Indonesia's healthcare sector have low disclosure quality. The sustainability report provides relatively brief information on related aspects. The results of this research differ from those of Kuswanto (2019), who stated that the weight of information disclosed by companies in Indonesia was relatively high at 59.9%. Table 2 shows the total ESG disclosure quality, with the maximum value reported by an entity being 59.24 percent. On average, entities obtained a disclosure quality score is 33.49%. The dispersion of total ESG disclosure quality shows data saturation around the average value (15.57 percent). This means that ESG disclosure should be more varied in this sector.

The minimum score is zero because, in 2021, the company did not disclose environmental aspects in its Annual Report. This is related to the disclosure obligations of companies in this sector, which will only be enacted in 2022 by OJK Regulation No. 51/POJK. 03/2017. The highest scores for the quality of ESG disclosure on environmental aspects were 60% for PT Mitra Keluarga Karyasehat Tbk. (MIKA) in 2022, with an average of 39.61 or 32% and a standard deviation of 22.16 or 18%. Based on these results, the average quality of the environmental disclosure is relatively homogeneous, as reflected in the standard deviation value, which is close to the average value. The social aspect has the lowest value of 0%, namely at PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest scores for the quality of social aspects were 82% and 64% for PT Darya-Varia Laboratoria Tbk. (DVLA) and PT Phapros Tbk. (PEHA) in 2021. The average quality of social aspects was 39.80% or 31%, and the standard deviation was 22.33 or 17%. These descriptive data indicate the low quality of disclosure of social aspects by the entity, where this value is far from the maximum value that can be disclosed. The data distribution value is also close to the average value, which indicates that the quality of social-quality disclosure must be evenly distributed across all companies.

Disclosure of governance aspects shows the lowest value of 0%, namely at PT Famon Awal Bros Sedaya Tbk. (PRAY), PT Hetzer Medical Indonesia Tbk. (MEDS), PT Jayamas Medica Industri Tbk. (OMED), and PT Multi Medika Internasional Tbk (MMIX) in 2021. The highest scores for the quality of governance aspects were 80% and 69%, respectively, at PT Kimia Farma Tbk. (KAEF) in 2022. Average = 43.82 or 38% and standard deviation 19.22 or 17%. The quality of governance disclosure is better than the other two aspects.

Analysis of the Quantity and Quality of ESG Disclosures in the Healthcare Sector

ESG disclosure quantity

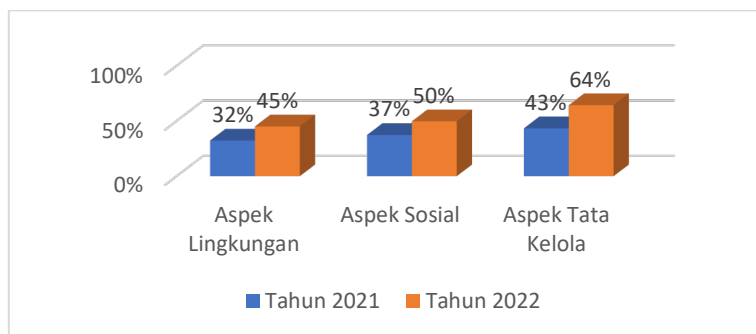


Figure 2. Total percentage quantity of ESG disclosures
Source: Data processed by Excel 2023

Figure 2 depicts the quantity of ESG disclosure in healthcare sector companies for 2021 and 2022 in three main aspects: environmental, social, and governance. The bar chart depicts changes in the quantity of ESG disclosures from year to year. The governance aspect has the highest level of disclosure (43%) in 2021, increasing to 64% in 2022. This is followed by the social aspect, with the disclosure level in 2021 amounting to 37% and increasing to 50% in 2022. This shows an increase in awareness of sector companies. Health to increase disclosure of non-financial information. This increase reflects the commitment of healthcare sector companies to integrate ESG aspects in their business strategies. Many companies identify sustainability as an essential factor in maintaining the long-term sustainability of their business. This aligns with research by Deng et al. (2023), which states that implementing a robust ESG system will encourage long-term sustainability and new growth paths for companies. In this situation, all parties require access to the nonfinancial working details of firms. ElHawary & Elbolok (2024) state that the growing importance of a firm’s performance has intensified market interest, especially among publicly traded companies seeking to uphold their ethical standards and shield their reputations by disclosing their ESG results.

Table 3. Quantity of ESG disclosures

ESG	2021	2022	Change
Environmental aspect	10	13.96	3.96
Climate change	2.39	3.43	1.04
Waste	2.36	3.46	1.11
Energy	5.14	6.93	1.79
Supply chain	0.11	0.14	0.04
Social aspect	11.93	15.89	3.96
Supply chain	0.25	0.18	-0.07
Work safety and employee relations	9.79	12.75	2.96
Data privacy and security	1.89	2.96	1.07
Governance Aspects	12.57	18.64	6.07
Relationships with stakeholders	0.75	0.93	0.18
Governance	5.46	9.07	3.61
Tax management	0.00	0.00	0.00
Anti-corruption	0.82	1.32	0.50
Crisis and risk management	5.54	7.32	1.79

Source: Data processed Excel 2023

Table 3 shows changes for each measurement subsection in the three ESG aspects. Governance is the most significant sub-section that has experienced an increase in the quantity of reporting. The three points that experienced the most significant increase in the quantity of disclosure were 2-13 (giving responsibility to other parties to address impacts), 2-14 (the role of the highest management agency in sustainability reporting), and 2-17 (shared knowledge from the highest governance body). This increase in information shows that companies in this sector reveal more in-depth information that describes the effectiveness of the performance of company management and supervisors in the form of roles and responsibilities, knowledge, and delegation.

In the social aspect, the most significant improvement in the quantity of disclosure is in the data privacy and security subsection. The three points that experienced the most significant increase in quantity were 416-1 (evaluation of the impact on health and safety of various products and services), 416-2 (incidents of violations related to the consequences for health and safety of products and services), and 417-1 (provisions for labels and product and service information). The pandemic has made stakeholders attach great importance to safety regarding the products sold by the company. The increase in disclosures regarding non-compliance incidents shows the company's commitment to transparency in facing challenges and improvements related to its products. By reporting these incidents, companies can demonstrate their responsibility to address problems, improve production processes, and increase quality control to ensure the products they offer meet the health standards expected by society. This was done by PT Industri Jamu and Farmasi Sido Muncul Tbk, who conveyed information about the absence of product withdrawal incidents due to warnings from the Indonesian POM Agency. Disclosure of this information is by the provisions of POJK No. 51.

In 2017, the dimensions of responsibility for sustainable product/service development regarding the number of recalled products. This shows that companies are improving their attention to responsibility regarding sustainable product/service development, which can increase customer loyalty. In line with research conducted by Kim & Park (2017), customer loyalty increases along with a more sustainable company environment. The waste section was the environmental aspect that received the most significant increase in reporting quantity. Points 306-1 (waste generation and significant impacts related to waste) and 306-3 (waste generation) have the most improvements in disclosure from 2021 to 2022. This shows the increasing commitment of healthcare sector companies to reduce environmental impacts realized through well-planned waste management and processing. Generating solid and liquid waste (effluent), especially medical waste, can cause pollution and endanger environmental health. In line with research by Molero et al. (2021), which stated that medical waste is one of the primary sources of pollution in the world and is the main factor in the spread of disease from the air, water, and soil around healthcare service facilities. In pandemic conditions, people are always worried about the cleanliness of the environment. The health industry, which is very close to "disease", is certainly a concern for stakeholders. During the pandemic, healthcare sector companies produced much waste. Waste produced by healthcare sector companies can be in the form of medical and non-medical waste, which has B3 and non-B3 characteristics and directly impacts the environment. PT Prodia Widyahusada stated that it had managed waste production according to the provisions contained in Law No. 32 of 2009 concerning environmental protection and management. This company has also obtained the Emergency Response System Guide for Waste Water Treatment Plants (IPAL) for liquid waste and Temporary Storage Places (TPS) for solid waste. The company uses IPAL to process non-B3 liquid waste (effluent) with an RO filter system to ensure its quality and can be reused in clinical/laboratory activities. In 2022, Prodia will add new IPAL facilities in 2 branches, namely Prodia Salatiga and Prodia Semarang, with a total cost of IDR 769,758,468. The company collaborates with third parties to transport and process B3 waste.

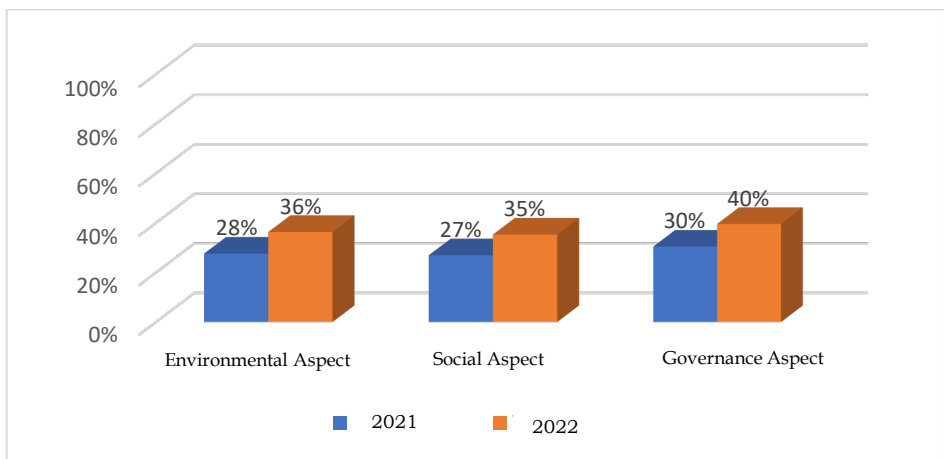


Figure 3. Total percentage of ESG disclosure quality
 Source: Data processed by Excel 2023

Improvements in the quality of ESG disclosures generally occurred from 2021 to 2022. It can be seen in Figure 3 that the three aspects, namely environmental, social, and governance, have both experienced improvements. However, this increase does not change the disclosure quality rating for each aspect. Governance remains the aspect with the most excellent disclosure quality, namely 10%. Social and environmental aspects are ranked second and third regarding the quality of disclosure by management. This increase shows that management is increasingly aware of expanding the quality of their ESG disclosures. However, the quality of ESG disclosure by management still needs to reach the maximum value that can be disclosed. Comparison with the number of disclosures also shows that management tends to be less communicative and detailed in its disclosures. This can be seen from the percentage of quantitative disclosure, greater than qualitative.

Table 4. Quality of ESG disclosure

ESG	2021		2022		Change	
	quality	%	quality	%	quality	%
Environmental aspect	34.21	28%	45.00	36%	10.79	9%
Climate change	8.11	29%	10.36	37%	2.25	8%
Waste	8.14	41%	11.75	59%	3.61	18%
Energy	17.64	26%	22.57	33%	4.93	7%
Supply chain	0.32	4%	0.32	4%	0.00	0%
Social aspect	34.46	27%	45.14	35%	10.68	8%
Supply chain	0.75	9%	0.39	5%	-0.36	-4%
Work safety and employee relations	28.86	30%	37.04	39%	8.18	9%
Data privacy and security	4.86	20%	7.71	32%	2.86	12%
Governance Aspects	35.29	30%	49.04	40%	13.75	9%
Relationships with stakeholders	2.68	67%	3.32	83%	0.64	16%
Governance	14.68	31%	24.00	50%	9.32	19%
Tax management	0.00	0%	0.00	0%	0.00	0%
Anti-corruption	2.04	17%	3.36	28%	1.32	11%
Crisis and risk management	15.89	44%	21.68	60%	5.79	16%

Table 4 presents a breakdown of disclosures for each subsection on the three ESG aspects. Governance items remain the items with the most significant increase in disclosure quality in the governance aspect. This shows their seriousness in explaining their governance in more detail to the public. Apart from that, improvements were also felt in relationships with stakeholders and crisis and risk management, which increased by 16%. This increase provides a notation of management awareness regarding stakeholder engagement and the importance of providing information regarding business risk exposure to the public.

In the social aspect section, data security and privacy are the quality items that have improved the most. This indicates management's seriousness in providing extensive information to the public regarding data security and privacy items. Management must manage public attention to maintain long-term relationships (future-forward relationships) with company stakeholders. Waste is also where disclosure has been improved the most, both in quantity and quality. Based on the conditions of society during the pandemic, management needs to provide information that is not only available but also extensive to provide peace of mind to the public regarding waste, especially those related to health.

Environmental Aspect Analysis

Quantity of ESG disclosures on environmental aspects

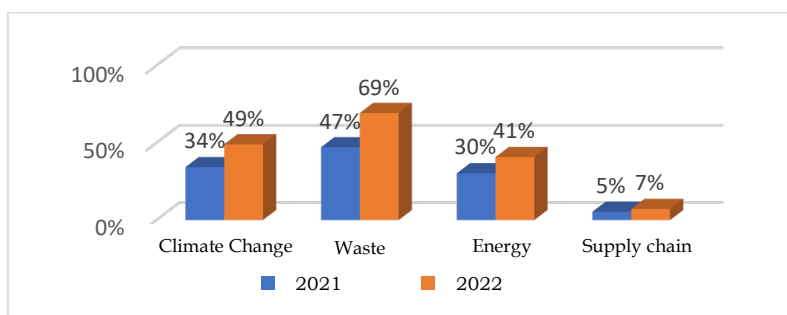


Figure 4. Total percentage quantity of environmental aspect ESG disclosures
 Source: Data processed by Excel 2023

Based on the Figure 4, ESG disclosure in environmental aspects shows positive changes. Environmental aspects consisting of environmental changes, waste, energy, and supply chains based on environmental factors have increased in each category from 2021 to 2022. In 2021, the percentage value of climate change criteria was 34%, while in 2022, it was 49%. It can be seen that the quantity of disclosure increased by 15%. The items that contributed the most to the increase were 305-2 (indirect scope two greenhouse gas emissions) and 305-3 (indirect scope three greenhouse gas emissions.). This is an additional item for management awareness to identify GHG emissions in scopes 2 and 3, which do not directly impact the environment.

Energy-related ESG disclosures have increased from 30% in 2021 to 41% in 2022. The three items that have experienced the most improvements are 302-1 (ingredients used by weight and volume), 303-5 (water consumption), and 304-1 (operating locations that are owned, leased, managed, or adjacent to protected areas and areas with high levels of biodiversity outside protected areas). The rise in these numbers indicates that management is taking steps to address pollution by identifying and using more environmentally friendly operational materials. Additionally, the disclosure of water consumption reflects management's efforts to responsibly manage water use for operations. Lastly, there is also a growing focus on preserving protected areas and biodiversity to safeguard the environment.

ESG disclosures related to waste have increased quite significantly in quantity. The increase was 22%. The items that experienced the most improvements in disclosure were 306-1 (waste formation and impacts that have significant relevance to waste) and 306-3 (waste generation). It indicates that management awareness regarding waste as a critical part of operational activities must be taken into account. The existence of the health sector as one of the sectors with hazardous waste coupled with the pandemic means that management needs to identify these two items so that they do not cause problems in the future. ESG disclosure related to supply chains is the disclosure with the smallest increase in quantity, from 5% in 2021 to 7% in 2022. Despite an increase, many entities are still unaware of the importance of the supply chain. Therefore, they feel it does not need to be disclosed in their reporting. However, disclosures related to supply chains are crucial for business continuity. The flow of value from upstream to downstream, which the entity does not fully control, means it needs to manage this flow properly.

Quality of ESG disclosure on environmental aspects

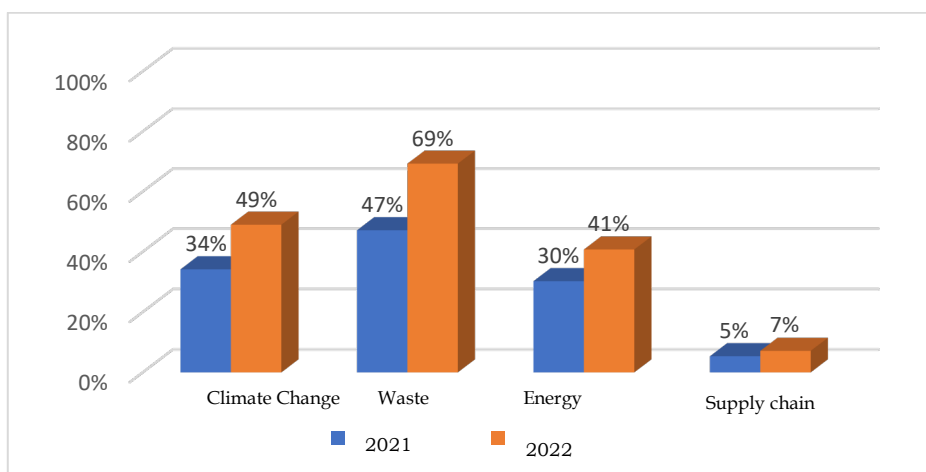


Figure 5. Total percentage of quality of ESG disclosure on environmental aspects
 Source: Data processed by Excel 2023

Based on Figure 5, there is an increase in the quality of ESG disclosures related to climate change from 28% in 2021 to 36% in 2022. This shows that companies are becoming more in-depth in explaining their strategies and efforts regarding climate change. The items that experienced the same increase as the quantity aspect were 305-2 (indirect scope 2 greenhouse gas emissions) and 305-3 (indirect scope 3 greenhouse gas emissions). Awareness of disclosures related to climate change does not only occur in quantity but also quality. Management can be said to be increasingly concerned about climate change and how to reduce the impact of the entity's operations on it.

Waste-related ESG disclosures recorded an increase in quality from 29% in 2021 to 37% in 2022. This reflects companies being more detailed in explaining their actions regarding waste management. The most significant improvement in disclosure quality appeared in items 306-1 (waste generation and significant impacts related to waste) and 306-3 (waste generation). Energy-related ESG disclosures saw a significant increase from 41% in 2021 to 59% in 2022. This indicates a greater focus on energy-saving strategies and the use of sustainable energy sources. The quality of energy disclosure that improved a lot was 302-1 (energy use in an organization), 303-1 (involvement with water as a shared resource), and 303-5 (water use). These increases indicate management concerns about water and energy (electricity), which are the primary resources for health companies. In 2022, intrigues regarding the water and energy crises will begin to emerge, prompting management to intensify

explanations on these two matters. Despite improvements, the quality of ESG disclosures related to supply chains still requires further attention, with the quality level increasing from 26% in 2021 to 33% in 2022.

Social Aspect Analysis

Quantity of ESG disclosure on social aspects

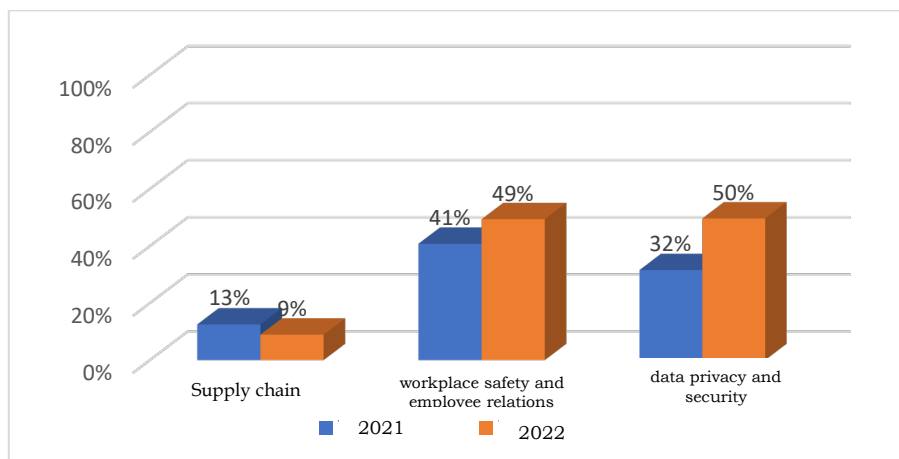


Figure 6. Total percentage quantity of ESG disclosure on social aspects

Source: Data processed by Excel 2023

In Figure 6, there has been a decrease in supply chain-related ESG disclosures from 13% in 2021 to 9% in 2022. This indicates that companies may require assistance in communicating their sustainable practices within their supply chains. Specifically, there has been a decrease in disclosure of 414-1 (selection of new suppliers based on social criteria). It's also important to note that 28 entities should have disclosed item 414-2 (adverse social effects in the supply chain and the measures implemented) during the 2021-2022 period. This suggests that healthcare sector companies in Indonesia are not disclosing negative news about their supply chains. Sharing negative reports can make the public aware of a company's weaknesses. This finding is consistent with the research of Cuesta & Valor (2013) and Holder-Webb et al. (2009), who found that companies tend to focus on areas or activities where they perform well but receive less attention from stakeholders.

ESG disclosures related to workplace safety and employee relations increased from 41% in 2021 to 49% in 2022. This can be seen as the company's efforts to focus more on employee welfare and workplace safety. Items that received the most improvements in disclosure quantity were 405-2 (ratio of basic salaries and remuneration of women compared to men), 408-1 (operations and suppliers at significant risk of child labour incidents), and 409-1 (operations and suppliers at risk significant impact on incidents of forced or compulsory labour). This data shows that management increasingly considers it essential to have equal pay between women and men and avoid human rights violations by employing children and forced labour. In terms of K3 (Occupational et al.), the company discloses related information only to the extent of the rules in ISO 45001 concerning the K3 management system, Law No. 1 of 1970 concerning Occupational Health and Safety and Minister of Manpower Regulation No. 5 of 1996 concerning Occupational Health and Safety Management Systems. For items that are not disclosed in the work safety and employee relations dimension, they are 402-1 (benefits given to full-time employees that are not given to employees for a certain period or part-time), 406-1 (incidents of discrimination and corrective actions taken), and 407-1 (operations and suppliers where the right to

freedom of association and collective bargaining may be at risk). Companies do not widely disclose things that are in the form of risks.

ESG disclosures related to data privacy and security have increased significantly from 32% in 2021 to 50% in 2022. This reflects the company's awareness of the importance of data protection and information security. Three items experienced the most remarkable improvement in disclosure quantity, namely 416-1 (assessment of the health and safety impacts of various categories of products and services), 416-2 (incidents of non-compliance regarding the health and safety impacts of products and services) and 417-1 (requirements for product and service labelling and information). These three items are the lowest items expressed by managers. A low level of this item indicates that the company did not report any non-compliance events. However, it concerns preventative measures, such as forming a service quality assurance committee by PT Prodia Widyahusada and PT Royal Prima. Likewise, pharmaceutical companies such as PT Kimia Farma and PT Pyridam Farma have formed divisions related to product quality assurance. Activities in this division are also equipped with routine and incidental reporting to the Republic of Indonesia Food and Drug Supervisory Agency (Indonesian: *Badan Pengawas Obat dan Makanan*, abbreviated BPOM).

Quality of ESG disclosure on social aspects

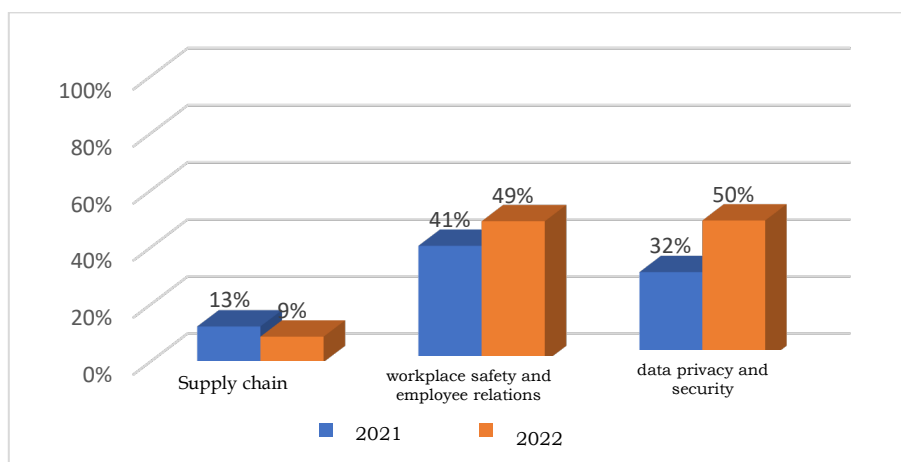


Figure 7. Total percentage of quality of ESG disclosure on social aspects
Source: Data processed by Excel 2023

Figure 7 shows a decline in the quality of ESG disclosures related to the supply chain from 9% in 2021 to 5% in 2022. The item that experienced a decrease is 414-1, where several companies appear to need to report or reduce the quality of their reporting. A decline in the supply chain indicates the possibility that an entity is experiencing challenges in explaining sustainable practices in its supply chain. ESG disclosures related to workplace safety and employee relations increased from 30% in 2021 to 39% in 2022. This shows that companies are more detailed in explaining their steps to ensure safety and good employee relationships. Items 405-2 (ratio of basic salary and remuneration for women compared to men) and 408-1 (Operations and suppliers at significant risk of incidents of child labour) were the two items that experienced the best increase in disclosure quality. This shows that management considers issues of equality and children crucial things the public requests. Moreover, issues related to these two things have increasingly become sensitive in recent years.

ESG disclosures related to data privacy and security recorded a significant increase in quality from 20% in 2021 to 32% in 2022. This reflects growing attention to data privacy and information security. The items that experienced the most improvement in the disclosure quality were 416-2

(incidents of non-compliance concerning the health and safety impacts of products and services) and 417-1 (requirements for product and service labelling and information). In pandemic conditions emphasizing the need for safe use of medical devices and medicines, it is natural for management to provide comprehensive information regarding these two things to the public.

Analysis of Governance Aspects

Quantity of ESG disclosure on governance aspects

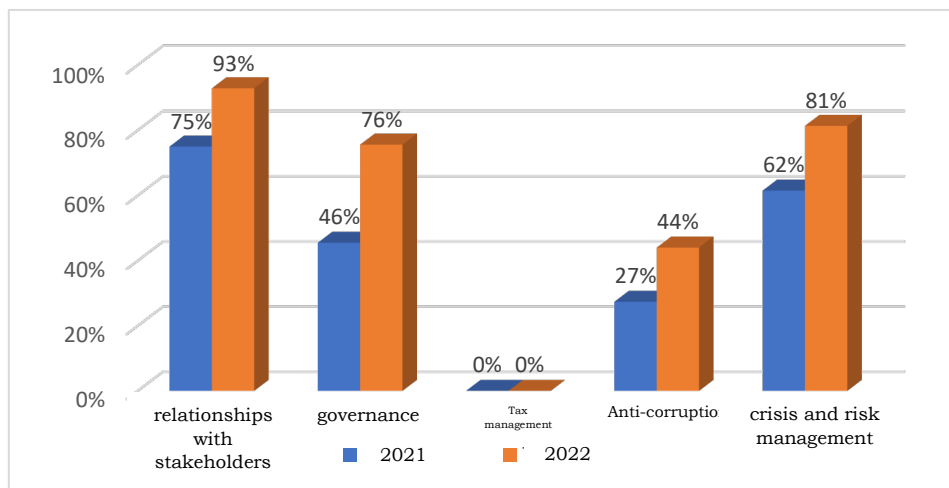


Figure 8. Total percentage quantity of ESG disclosures on governance aspects
 Source: Data processed by Excel 2023

Figure 8 shows that the quantity of ESG disclosures related to relationships with stakeholders has increased significantly from 75% in 2021 to 93% in 2022. This disclosure signals that management is increasingly paying attention to its stakeholders as the central party that supports the organization's existence. Companies are increasingly focusing on engagement and good relationships with their stakeholders. In this way, the company has more information regarding what stakeholders expect from the entity so that it can build company operations that are more in line with these demands. Aspects of corporate governance have also experienced significant improvements from 46% in 2021 to 76% in 2022. This reflects that companies listed on the IDX increasingly prioritize good governance and transparency. Issuers have made the most improvements to the number of disclosures in items 2-12 (the role of the highest governance body in supervising impact management), 2-13 (delegation of responsibility for managing impacts), and 2-14 (role of the highest governance body in sustainability reporting). These three items indicate that management is increasingly concerned about the role of governance in managing the operational impact of the entity. This role is considered crucial to be discussed, especially in the highest governance of the entity.

ESG disclosures related to tax management remain at 0% in 2021 and 2022. The company focuses on quantitative tax information, such as the amount of tax obligations according to the law. On the one hand, management will try to provide an optimal (or minimum) tax burden to fulfill shareholder welfare. However, many other stakeholders, such as the government and some parts of society, disagree. Management is taking the route of silence and non-disclosure to avoid litigation claims from parties opposing the entity's tax policy. Management is more focused on expressing compliance with obligations.

ESG disclosures related to anti-corruption have increased from 27% in 2021 to 44% in 2022. This shows that companies are increasingly paying attention to anti-corruption practices. The most significant increase was in items 205-3, namely proven incidents of corruption and steps taken in

response. Throughout observations of published reports, management tends to report positive things, namely that there have been no acts of corruption within the company. This signals that corporate governance is considered capable of preventing these detrimental actions.

The crisis and risk management aspect also experienced a significant increase, from 62% in 2021 to 81% in 2022. This reflects companies that are increasingly prepared to face risks and crises that may occur. Items 2-24 (instilling policy commitment) and 2-27 (compliance with laws and regulations) were the items that experienced the most significant improvement in the quantity of disclosure. Management realizes that the commitment to implementing policies increasingly needs to be expressed due to social media disruption, which makes the company increasingly vulnerable to negative news regarding implementing its policies. Also, management signals that they are increasingly concerned about complying with applicable laws and regulations.

Quality of ESG disclosure on governance aspects

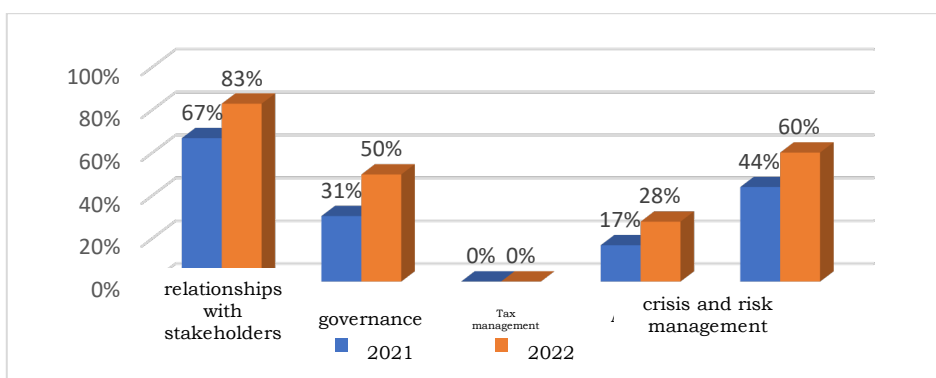


Figure 9. Total percentage of quality of ESG disclosure on governance aspects
 Source: Data processed by Excel 2023

Figure 9 shows the quality of ESG disclosure in governance aspects related to relationships with stakeholders, noting an increase in quality from 67% in 2021 to 83% in 2022. This shows that companies are more detailed in explaining engagement and good relationships with their stakeholders. An extensive explanation regarding how companies manage stakeholders shows that management is now increasingly aware of the importance of stakeholders for the continuity of the company's business. The entity can operate effectively and efficiently through suitable identification and management because of stakeholders' support and fulfillment of their hopes or desires for the company. Corporate governance criteria experienced a significant increase in quality, from 31% in 2021 to 50% in 2022. This reflects companies that are more detailed in explaining good governance and transparency in their operations. Two items have experienced a lot of improvement in the quality of disclosure, namely 2-12 and 2-17.

Items 2-12 relate to the highest governance body's role in oversight of impact management. This indicates management's awareness that top management is the primary determinant of company outcomes. Items 2-17, which relate to the collective knowledge of the highest governance body, show management's desire to provide full supervision over each line of company operations to increase control to achieve the goals expected by its stakeholders. ESG disclosure related to tax management remains at 0% in 2021 and 2022. This figure aligns with quantitative disclosure, which is still 0%. The non-disclosure of tax management reflects the company's need for more focus on sustainable tax practices or transparency. There needs to be stricter rules regarding tax management disclosure so that the transparency of company tax management can be better.

ESG disclosures related to anti-corruption have increased in quality from 17% in 2021 to 28% in 2022. This shows that companies increasingly provide detailed explanations of anti-corruption practices in their operations. Item 205-3, which contains disclosures regarding proven incidents of corruption and steps taken in response, signals that the company feels the need to make extensive disclosures. Apart from that, the excellent image displayed by the absence of disclosed corruption cases could have a side effect in the form of public distrust of the information. Thus, management requires more effort to convince stakeholders that what is disclosed is a fact supported by data and adequate rationalization.

Crisis and risk management criteria experienced a significant increase in quality, from 44% in 2021 to 60% in 2022. This reflects companies that are increasingly prepared to face risks and crises that may occur. Items 2-24 (instilling policy commitment) and 2-26 (mechanisms for seeking advice and raising problems) were the two items with the highest ratings for improving the quality of disclosure by management. The improvement in the quality of disclosure in these two items indicates that management is not only trying to instill a commitment to their policies. Management is also trying to form a mechanism to provide input to resolve problems.

CONCLUSION

The purpose of this research is to evaluate the extent to which healthcare sector companies listed on the Indonesian Stock Exchange (IDX) complied with the Global Reporting Initiative (GRI) standards for ESG (Environmental, Social, and Governance) disclosures in the year 2021-2022. The findings indicate that ESG disclosures in Indonesian healthcare sector companies are relatively low. The average value for both the quantity and quality of ESG disclosures falls below 50%. According to GRI standards, there is a need for higher and more comprehensive ESG disclosures in these companies. It was revealed that only the governance aspect had the highest level of disclosure, compared to environmental and social aspects. Additionally, companies only disclosed ESG dimensions that are regulated by the Indonesian Financial Services Authority (OJK).

It should be noted that this research did not utilize weights to assess the quality of disclosure. The author suggests several recommendations for further studies to address the limitations of this research. For future research, it is suggested to consider utilizing alternative ESG disclosure frameworks that are more suitable for Indonesian companies, such as those introduced by NASDAQ, POJK, and MSCI. Furthermore, the use of weights to assess the quality of disclosure could be considered in future research endeavors.

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