Influence of Environmental, Social, and Governance on Investment Risk (CEO Power as A Moderating Variable)

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ABSTRACT

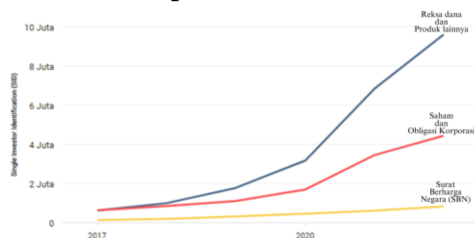
Introduction – In the implementation of investment, there are 2 things that investors face, profit or loss. To minimize investment risk, investors will conduct research by monitoring published company reports (financial and non-financial aspects). This study describes efforts to minimize investment risk from a non-financial perspective (in this study: ESG) by adding CEO Power as a moderating variable.
Purpose – The purpose of this research is to find out that CEO Power's moderated ESG practices can reduce investment risk so as to increase investor confidence to invest in the company.
Methodology/Approach – The object of research is Oil and Gas Sector Companies because this sector has a high level of sensitivity to natural resources and its operational activities can affect environmental conditions in the long term so that it becomes a public spotlight compared to companies in other sectors. This research is a quantitative study using the SPSS test tool. The samples used were 15 companies with no missing data criteria and has positive equity. The data used is the IDX's annual report publication data.
Findings – This study provides new findings. CEO Power has influence but doesn't significantly, as long as ESG is implemented properly, the company is still able to reduce risk investment so investors are confident to invest.
Originality/Value Implication – The results of the analysis show that social and ESG performance practices can reduce investment risk. Likewise CEO Power who moderates ESG can reduce investment risk. Social performance does not affect investment risk. The thing that the same goes for the governance and social performance moderated by CEO Power.

Keywords: ESG, CEO Power, Business Risk

INTRODUCTION

Investment has a very strategic position at the level of economic development. If in ancient times investments could only be made by people who were experts and had a lot of capital, at this time the types of investments have become increasingly diverse and are starting to be in great demand by various groups, one of which is because of the promised returns . According to the Ministry of Industry's website (kemenperin.go.id), the level of investment continues to increase from 2019, even in 2022 the increase will reach 52% or IDR 497 trillion. In the figure below, the investor curve is presented from year to year.

Figure 1. Increase in the Number of Investors in the Capital Market



(Source : kemenperin.go.id)

Based on the figure above, the level of investment shows an increase even in 2019-2022 there was a significant increase in terms of mutual funds, SBN, as well as stocks and bonds. The most rapid increase occurred in mutual fund investors and other products as reported from the OJK website, the increase ranged from 1400% for 5 years. The survey results from the Center for Economics and Law Studies (CELIOS) show that the main goal of investors investing is to increase passive income or in other words to make a profit. However, not all investments bring profits because in a company's operational activities there are risks that can cause anxiety for investors.

Risk is an uncertain event that causes unwanted losses, if this tolerance is ignored, then planning and implementing it can make life uneasy as a result of an inappropriate risk profile (Wibisono and Sari, 2022) . Investors will conduct research on the company to find out the company's potential to gain profits and reduce investment risk. Every investor has different tendencies related to the risks they can bear and they must consider a number of factors when making an investment (Muhammad Adnan, 2022).

Investment trends in ESG instruments are influenced by investor interest in certain issues, environmental issues are the ones that most attract investors in Indonesia. Mardikanto (2014) states that the principle of maximizing company profits in order to get maximum profit sometimes overrides environmental management, environmental performance, or even environmental conservation of a company. This is due to the exploitative behavior shown in the utilization of natural resources and the lack of responsibility towards the environment (physical and social) which sometimes results in a lack of social relations with the community. Currently

in Indonesia there are many cases related to environmental problems so that demands arise to realize good environmental performance (Widhiastuti et al., 2017).

Social performance can also increase stakeholder trust and investors are believed to be able to reduce the level of investment risk. Social performance is a company's activities in realizing its form of social responsibility outside the company's operational activities (Zubaidah, 2003) in research (Kristiani and Werastuti, 2020). Disclosure of social performance is a form of conveying information to stakeholders and at the same time becomes the company's media to gain legitimacy from the community, society, suppliers, buyers, the media, and other entities that have a relationship either directly or indirectly. Companies have responsibilities related to matters that must be considered through social performance. However, companies are sometimes negligent on the grounds that parties outside management do not contribute to the survival of the company. This is because the relationship between the company and the environment is non-reciprocal, that is, the activities of the two are considered not to generate reciprocal results for the company.

If social criteria focus companies on external relations, companies also need to focus on how a company has a good and sustainable management process on its internal parts. This is what we often call governance. Corporate governance is a system that consists of a set of structures, procedures, and mechanisms designed for company management based on the principle of accountability that can increase the value of the company in the long term (Velnampy, 2013). The corporate governance system refers to the set of rules and incentives that management uses to direct and supervise the course of corporate activities. Therefore, good corporate governance can increase the opportunity to increase profits and reduce investment risks in the long term.

Triyani (2020) also examines issues related to Environmental, Social, and Governance (ESG) disclosure of company investment risks, but this focus actually ignores governance mechanisms that play a role in supporting ESG practices to the public. Therefore, the power of the CEO is included in this study to consider CEO characteristics as an important factor in increasing the credibility of financial reports and to provide more comprehensive evidence regarding non-financial reports (ESG information). Considering that the CEO has a major influence on financial performance and CSR which causes the need for an analysis of characteristics from the point of view of the CEO, such as the strength of the CEO. As an important person in the management board, the CEO is considered to have a major influence on the company's strategic decisions, for example in financial reports and non-financial reports (Busenbark, et al, 2016). Certo et al., (2007) argue that the CEO has the power to influence the investment decisions of high potential investors. With the advantages it has, the CEO can have a lot of impact on employees with the decisions that have been made.

The CEO as the highest executive position can be said to be the determinant of a company's success or failure because every decision they make can impact the entire business because the CEO is also responsible for reducing investment risk in order to protect the welfare and success of the company. The CEO reviews the risks of harm, market shifts, and cultural issues. In addition to handling the company's internal policies, the CEO is also the face of the company to the public so that it can brand the company in the eyes of stakeholders. Sheikh (2018) found evidence that there is a strong relationship between CEO and investment risk.

In recent years, empirical research related to the relationship between Investment Risk and ESG performance has increased so that the strength of this research can be linked to CEO Power. The research results obtained varied, but each researcher had his own explanation for each of the differences in existing research results. Based on the problems described above, the authors have a research objective to see how environmental, social, governance and ESG performance influences investment risk in oil and gas sub-sector companies listed on the Indonesia Stock Exchange. In addition to seeing how the influence of CEO power moderates the influence of environmental, social, governance and ESG performance on investment risk in oil and gas sub-sector companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Legitimacy Theory

One of the many theories mentioned in the field of social and environmental accounting is the theory of legitimacy (MV Tilling, 2004). Likewise Naser et al., (2006) stated that legitimacy theory has been widely used in accounting studies to develop social and environmental responsibility disclosure theories.

Legitimacy theory (Legitimacy theory) focuses on the process of interaction between companies and society. Legitimacy theory states that organizations continuously try to ensure that they carry out activities in accordance with the boundaries and norms of society that apply (Deegan et al., 2002). Community legitimacy is a strategic factor for the company in order to develop the company in the future. This can be used as a vehicle for constructing corporate strategy, especially related to efforts to position oneself in the midst of an increasingly advanced society (Hadi, 2011).

Agency Theory

This theory conceptualizes the contractual relationship between agents and principals. According to Aulia Ramadona and Amries Rusli Tanjung (2016) Agency theory is a theory related to agreements between members in a company that explains monitoring various types of costs and imposing relationships between these groups. An agency relationship is a contract in which one or more people (principals) instruct another person (agent) to perform services on behalf of the principal and authorize the agent to make the best decisions for the principal (Ichsan,

2013). If the principal and agent have the same goal, the agent will support and carry out everything ordered by the principal.

Contingency Theory
Contingency theory or what is commonly referred to as situational theory is a leader suitability theory which means adjusting leaders to the right conditions. Contingency theory was coined on the basis of the need to improve the performance of an organization through effective interactions carried out by leaders to the structural ranks below.

The contingency approach tries to apply various management approaches to real life or certain conditions and situations. According to Fiedler (1967) there are two leadership styles that tend to be displayed by a leader, namely a task-oriented style and a human relations-oriented style. The leadership approach in leading employees by providing challenging work by expecting them to be able to carry out the work. As long as employees want to achieve their work, a leader is free to lead his organization.

Environmental Performance
Problems arising from company operations can be in the form of environmental destruction, this is what encourages the emergence of environmental accounting practices as a means of accountability or public accountability for the business of the company (Sudjoko, 2011). Environmental conservation efforts are known as environmental performance (Wahyudi and Isa, 2011). Environmental performance is a company's activity to take part in efforts to preserve the environment. Environmental performance is made in the form of a ranking by an institution related to the environment (Wibisono, 2013).

The impact is, a positive response will be obtained by the market through fluctuating stock prices, followed by increased returns which are relatively a reflection of low investment risk as well as achievement of good economic performance.

Social Performance
Social performance is a company's activities in carrying out a form of social responsibility in addition to carrying out company operations (Zubaidah, 2003). Every company tries to improve the company's social performance from time to time, and simultaneously the company's economy/financial can be improved and investment risks can be reduced. Research by Waddock and Graves (1997) suggests that a company has a good position to play a role in corporate social performance because the implementation of social performance requires some funds to go according to plan.

Social disclosures made by companies are generally voluntary , unaudited , and unregulated (not influenced by certain regulations). Disclosure of social performance is a form of conveying information to stakeholders and social performance is also a company media to gain legitimacy from the public

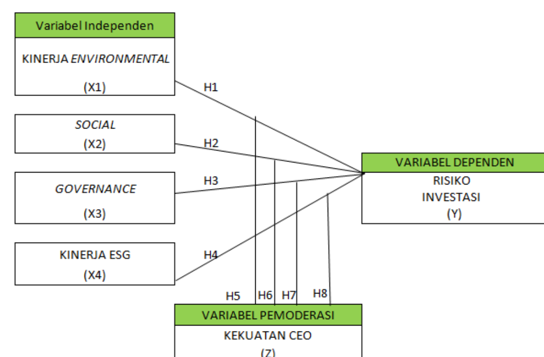
Governance
Corporate governance is a system that consists of a set of structures, procedures, and mechanisms designed for company management based on the principle of accountability that can increase the value of the company in the long term (Velnampy, 2013). The implementation of good corporate governance is believed to be able to strengthen the company's competitive position on an ongoing basis, manage resources and risks more efficiently and effectively, increase corporate value and investor confidence. To achieve this requires a high commitment to implementing the principles of good corporate governance in all organs and levels of the organization in a planned, directed and measurable manner so that the implementation of good corporate governance can take place consistently and in accordance with best practices (best practice) implementation of good corporate governance.

Investment Risk
Investment risk is the potential loss that investors may experience from an investment activity. The risks that can occur in general are systematic risk and unsystematic risk. One of the information used by investors is the annual financial report information.

CEO power
CEO in Indonesia is an executive officer who has the highest position in a company. The CEO is fully responsible for the performance of a company. The CEO can intervene in the company's business through his decisions which can have implications for company strategy and policies (Kassim and Manaf, 2013; Saidu, 2019; Wei, 2019). Sheikh (2018) found evidence that there is a strong relationship between CEO and company performance.

A CEO must know what strategy to use so that the company can achieve the short-term and long-term vision that has been set beforehand. One of the most important visions in the company is to support the company's operations. Certo et al., (2007) argue that the CEO has the power to influence the investment decisions of high potential investors. With the advantages it has, the CEO can have a lot of impact on employees with the decisions that have been made.

Figure 2. Conceptual Framework



HYPOTHESIS

1. **Effect of Environmental Performance on Investment Risk**

One form of corporate responsibility related to the environment is by disclosing environmental information as a response to problems that exist in the corporate environment. The environmental criteria in the ESG also discuss the use of a company's energy, both waste, how companies deal with pollution, solutions from natural resource conservation, and behavior towards flora and or fauna. By placing environmental criteria in the company's risk management, of course, it will minimize the risks potentially present from these environmental criteria. By reporting environmental performance, investor confidence will increase because the company is considered to have good environmental performance which in theory will reduce risk to the company, which of course can also reduce investment risk. Companies that have implemented environmental performance well are considered to have a responsibility towards the environment around the company so as to create a good image for the company, this could be a strategy to reduce investment risk in the company.

This is reinforced by the research of Natalia Iswara Betariani (2009), which found the level of environmental disclosure in the annual reports of high profile companies has a significant positive influence on investor decisions, which is represented by cumulative abnormal returns, and environmental performance which gets a negative regression value or has no significant effect. Research conducted by Benlemlih et al., (2018) found that there is no effect between environmental disclosure and social disclosure on systematic risk but has a negative effect on total risk and non-systematic risk. From the description above, the first hypothesis can be drawn, namely that Environmental Performance affects Investment Risk.

H1: Environmental Performance has an effect on Investment Risk.

2. **The Effect of Social Performance on Investment Risk**

The social criteria in ESG look at the relationship of a company externally. Communities, communities, suppliers, buyers, media, and other entities that have direct or indirect relationships are things that must be considered through ESG social criteria.

Similar to environmental criteria, if social criteria can be properly disclosed and managed then of course this will return to the financial performance and sustainability of a company. Good social performance encourages companies to get closer to the community and be responsible for maintaining value for investors and society. Research conducted by Triwacananingrum (2013) states that social performance has a significant positive effect on investment risk. In line with research conducted by Natalia (2014); Elya Maulidatu Isna (2020); Adil and Winarsih (2019); stated that disclosure of social responsibility has a significant positive effect on corporate investment risk. Thus, the second hypothesis is formulated that social performance effect on Investment Risk.

H2: Social Performance has an effect on Investment Risk.

3. **Effect of Governance on Investment Risk**

The corporate governance system refers to the set of rules and incentives that management uses to direct and oversee the running of the company's activities. Corporate governance focuses on how a company has a good and sustainable management process internally.

In line with this, research conducted by Sitanggang and Ratmono (2019) found results that corporate governance has a positive effect on company financial performance, meaning that the better corporate governance is implemented by a company, the lower the level of investment risk. Supported by research conducted by Brown (2004) also Va'zquez et al., (2002) said that the application of Good Corporate Governance in running a company is expected to be able to make the company's performance better and also more transparent in providing information that needed by the market. In addition, Siagian Sondang (2018) said that Governance is predicted to minimize Agency. From the description above, the third hypothesis can be drawn, namely Corporate Governance has an effect on Investment Risk.

H3: Corporate Governance affects Investment Risk

4. **Effect of ESG on Investment Risk**

Disclosure of ESG information is a form of communication between the company and the stakeholders involved. There are five main factors in business that are responsible and internalize environmental, social and governance factors in ESG. The five factors are profit, people, planner, peace, and partnership. This trend has become a global trend where many companies have committed to be part of the net zero emission initiative. Companies that apply ESG principles in their business and investment practices will also integrate and implement their company policies so that they are aligned with the sustainability of the three elements (Environmental, Social, and Governance). Buallay (2020) in his research stated that a positive ESG disclosure score is believed to bring greater return on assets so that investment risk can be minimized.

There have been several studies conducted regarding the issue of Environmental, Social, and Governance (ESG) disclosure on investment risk. Among them is Triyani (2020) who examines issues related to Environmental, Social, and Governance (ESG) disclosure of company investment risks but this focus actually ignores governance mechanisms that play a role in supporting ESG practices to the public. From the description above, the fourth hypothesis can be drawn, namely ESG has an

effect on Investment Risk.

H4: ESG has an effect on Investment Risk.

5. **Effect of Environmental Performance on Investment Risk moderated by CEO Power.**
Characteristics are an important factor in increasing the credibility of financial reports and providing more comprehensive evidence regarding non-financial reports (ESG information). Considering that the CEO has a major influence on financial performance and CSR which causes the need for an analysis of characteristics from the point of view of the CEO, such as the strength of the CEO. As an important person in the management board, the CEO is considered to have a major influence on the company's strategic decisions, for example in financial reports and non-financial reports (Busenbark et al., 2016).

Research by Carnahan et al., (2012) examined the influence of CEO characteristics on environmental disclosure information and found that companies with an educational background and CEO tenure influenced companies to disclose more about environmental performance. From the description above, the fifth hypothesis can be drawn, namely the power of the CEO moderates the influence of environmental performance on the company's investment risk.

H5: CEO power moderates the effect of environmental performance on Investment Risk

6. **The Effect of Social Performance on Company Investment Risk moderated by CEO Power**
When investors make investment decisions by looking at the quality of the company's CEO, the strength of the CEO can have a positive impact (Sudana and Aristina, 2017). Studies on CEO Power have been carried out including those conducted by Noval (2015); Koo (2015); Ho et al., (2011); Bahloul and Walid (2013); Han et al., (2016). Koo (2015) and Ho et al., (2011) found CEOs Power with its social performance has a positive effect on reducing investment risk. Bahloul and Walid (2013) found that CEO strength influences productivity growth and optimal CEO strength can enable companies to become more productive and more efficient. Research conducted by P Velte (2019) found that CEO strength as measured by the CEO Tenure proxy was able to positively and significantly moderate the effect of social performance on a company's financial performance so as to reduce the level of investment risk.

The results of Triyani (2020) show that the longer the CEO's tenure, he feels he has a secure position and the lack of supervision by the board of directors which can have an impact on low disclosure of social, environmental and corporate governance performance. Meanwhile, Natonis (2019) that the CEO position is always considered one of the most powerful positions in the company. The strength of the CEO may stem from the importance of this position due to the fact that CEOs are expected to be able to position their industry to generate wealth and optimize future opportunities for stakeholders. This means that the power of the CEO must influence the company's financial performance so as to reduce investment risk. From the description above, the sixth hypothesis can be drawn, namely the strength of the CEO moderates the influence of social performance on the company's investment risk.

H6: CEO power moderates the effect of social performance on Investment Risk

7. **Effect of Governance Performance on Company Investment Risk moderated by CEO Strength.**
Corporate governance is a key factor in the success or failure of an industry. CEOs with long tenure in a company are considered more capable of implementing more appropriate governance and monitoring targets and providing better recommendations for company operations so that investment risks can be reduced. In research conducted by Hidayati (2017) it was found that there is a significant relationship between CEO tenure and a reduction in investment risk.

Finally, there is an increase in financial performance with a better company reputation (eg in the stock market) and by attracting new (sustainable) shareholders. From the description above, the seventh hypothesis can be drawn, namely the strength of the CEO moderates the performance of governance on the company's investment risk.

H7: CEO power moderates Governance Performance on Investment Risk.

8. **Effect of ESG Performance on Company Investment Risk moderated by CEO Strength.**
Disclosure of information related to ESG does not only come from market demands, but is also accompanied by company efforts to comply. Various studies have shown that a CEO has the ability to influence policy disclosure. The CEO is one of the main decision makers who has the power of direct control over the company's operations. Thus, as the core subject of the executive team, the efforts of the CEO within a company become one of the main determinants influencing the strategic decisions taken by the company. The CEO can influence the level of ESG disclosure by the company.

Song and Thakor (2011) proves the CEO's incentives to control the information disclosed to the board. Because the quality of disclosure reflects the CEO's ability to understand the underlying competitive environment and effectively anticipate for future results. Higher disclosure quality signifies the ability of executives to improve company performance (Hui and Matsunaga, 2015). As the core of the executive team, the CEO's efforts regarding ESG disclosure should be a key

determinant of disclosure quality. So, it is expected that the increase in company performance shown by ESG disclosure will be stronger with greater CEO power, because stakeholders will then see the signaling effect (signalling theory) of ESG disclosure into greater commitment from the company. From the description above, the eighth hypothesis can be drawn, namely CEO power moderates ESG performance on company investment risk.

H8: CEO strength moderates ESG Performance on Investment Risk.

METHOD

1. Population and Sample

Quantitative research with secondary data is the type of research used in this study. The population of this study is oil and gas sub-sector companies listed on the IDX in 2019-2022. In this study, the sample was selected based on a purposive sampling technique, where the sample selection within companies during the study period was based on certain considerations or criteria set:

Table 1. Research Sample Collection Techniques

No	Criteria	Amount
1	Mining Sector Companies that have been listed on the Indonesia Stock Exchange (IDX) in 2022	63
2	Oil and gas sub-sector companies presenting complete and consecutive annual report data (no missing data) from 2019-2022.	-45
3	Companies that have a positive equity value.	-3
The number of samples in the study		**15**

(Source : various studies)

Based on the criteria above, the samples used in this study were 15 companies. The type of data used in this study is secondary data. In this study, the data used are in the form of financial reports and annual reports of oil and gas sub-sector companies listed on the Indonesia Stock Exchange (IDX). The data sources used are publication data in the form of annual reports, financial reports, ESG reports and sustainability reports issued by the Indonesia Stock Exchange (IDX).

2. Research Variables and Operational Definitions of Variables

Table 2. Operational Research Variables

Research variable	Variable Operational Definitions	Scale	Measurement Indicator
Performance *(ENS)*	Pillar scores that measure the company's impact on living and non-living natural resources including air, soil and water (P Velte, 2019)	Nominal	The checklist that refers to *the Global Reporting Initiative* (GRI) G.4 consists of economic categories (9 indicators), environment (34 indicators). After the items disclosed by the company in the annual report are identified and matched with the checklist, then they are totaled and the index calculated using the CSRI proxy.
Social Performance (SOS)	A pillar score that measures a company's capacity to generate trust and loyalty with its workforce, customers, and society (P Velte, 2019)	Nominal	The checklist which refers to *the Global Reporting Initiative* (GRI) G.4 consists of the categories of labor practices and work convenience (16 indicators), human rights (12 indicators), society (11 indicators). After the items disclosed by the company in the annual report are identified and matched with the checklist, then they are totaled and the index calculated using the CSRI proxy.
Governance Performance	Pillar scores that measure the company's systems and processes that ensure that board members and executives act in their best interests as long-term shareholders (P Velte, 2019)	Nominal	The checklist refers to *the Global Reporting Initiative* (GRI) G.4 which consists of product responsibility (9 indicators). After the items disclosed by the company in the annual report are identified and matched with the checklist, then they are totaled and the index calculated using the CSRI proxy.
ESG performance	A score that shows how well the company deals with risks related to environmental, social and governance issues in its work and daily operations (P Velte, 2019) .	Nominal	The checklist which refers to *the Global Reporting Initiative* (GRI) G.4 consists of the economic categories (9 indicators), environment (34 indicators), labor practices and work comfort (16 indicators), human rights (12 indicators), society (11 indicators), and product responsibility (9 indicators). After the items disclosed by the company in the annual report are identified and matched with the checklist, then they are totaled and the index calculated using the CSRI proxy.
Investment Risk	opportunity to experience gains/losses as a result of investment activities undertaken.	Ratio	ROI.
CEO Power (CEO Tenure)	CEO tenure as the number of months the CEO has served is related to the industry median (P Velte, 2019) .	Nominal	CEOT = Length of CEO tenure in the company under study

(Source : various studies)

RESULT AND DISCUSSION

Hypothesis Testing

Multiple Regression Analysis

- **Determination Coefficient Test (R^2)**

The following are the results of the coefficient of determination test (Adjusted R-Square) presented in Table 3.

Table 3. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin - Watson
1	.525ª	.276	.128	2.1770813	1.910

(Source : author data processing)

Table 3 shows that Investment Risk can be explained by the ANV, SOC, GOV, ESG, and CEOPOWER variables of 0.128 or 12.8%. While the remaining 0.872 or 87.2% is explained by other factors not included in this study.

- **Partial Significance Test (Test Statistics t) and Moderate Regression Analysis-MRA Test (Moderate Regression Analysis)**

The following table is the result of data processing in this study and will show which independent variables affect the dependent variable:

Table 4. T test results

HYPOTESIS	COEFFICIENT	SIGNIFICANCE		CONCLUSION
	β	t	sig	
H1	-1,236	-2,92	0,006	ACCEPTED
H2	0,057	0,165	0,869	NOT ACCEPTED
H3	-0,384	-2,41	0,02	ACCEPTED
H4	1,178	1,908	0,063	ACCEPTED
H5	-0,657	-2,09	0,042	ACCEPTED
H6	-0,581	-1,589	0,119	NOT ACCEPTED
H7	-0,003	-0,019	0,985	NOT ACCEPTED
H8	1,29	2,267	0,028	ACCEPTED

(Source : author data processing)

As well as obtained the Moderate Regression Analysis-MRA (Moderate Regression Analysis) equation as follows:
RISK= α+β1ENV+β2SOC+β3GOV+β4ESG+β5ENV*CEO+β6SOC*CEOPOWER+β7GOV*CEOPOWER+β8ESG*CEOPOWER+e

- **Simultaneous Significance Test (F Statistical Test)**

The following table represents the results of the F test in the current study:

Table 5. F test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	79,458	9	8,829	1.863	.083 b
	residual	208,546	50	4,740		
	Total	288,004	59			

a. Dependent Variable: RISK

(Source : author data processing)

Based on table 5, it can be concluded that H0 is accepted and H1 is rejected. This can be seen from the calculated F value of 1.863 and F table of 2.07. While the resulting significance value is 0.083 which is greater than 0.05. Thus it can be concluded that the independent variables which include ENV, SOC, GOV, and ESG with CEO Power as a moderating variable do not have a simultaneous effect on the dependent variable Investment Risk.

Discussion

1. Effect of Environmental Performance on Investment Risk

Environmental Performance on Investment Risk with a negative beta coefficient. This indicates that the better the Environmental Performance, the more Investment Risk will increase. The company also provides the amount of costs that are earmarked for environmental protection and investment based on the type of company's operational activities. So that these costs will later reduce profits and also returns from the company to investors. In this case, the environmental performance provided by the company is in accordance with the benefits obtained by the community so that the community is not worried about the sustainability of the environment and biodiversity around their residence, on the other hand, these activities generate costs that must be compensated by the company, and the costs incurred can be reduce profits so that the amount of return given to investors also decreases.

This is in accordance with the research of Natalia Iswara Betariani (2009), who found the level of environmental disclosure in the annual reports of high profile companies has an influence on investor decisions represented by cumulative abnormal returns, and environmental performance which gets a negative regression value or does not have a significant positive effect. means that environmental performance will strengthen the effect of Sustainability Report disclosure on investor reactions. Gramlich and Finster (2013), conducted research on the effect of environmental performance on the level of risk. The results of the study explain the absence of influence and clear evidence that a company's environmental performance can affect company risk or reduce the level of risk to a relatively low level. This is presumably due to the different levels of risk faced by each company. Companies with a larger scale and engaged in different fields will certainly have their own risk characteristics that other companies may not face (Gramlich and Finster, 2013). Kim et al., (2017) provides other evidence that the environmental performance carried out by companies properly can affect systematic risk in companies engaged in the food and beverage industry, but there is no strong evidence to explain a significant effect on systematic risk. Research conducted by Benlemlih et al., (2018) found that there is a negative effect between environmental disclosure and social disclosure on total risk and non-systematic risk.

2. The Effect of Social Performance on Investment Risk

Based on the test results of the second hypothesis, it shows that there is no influence between Social Performance on Investment Risk with a positive beta coefficient value. This means that a low level of social performance can reduce investment risk.

Judging from the geographical location of the Oil and Gas Company which is far from the villages and the high level of employee understanding regarding the minimal facilities with such a work location, it adds to the causes for the many indicators that are not met. However, this does not make anything meaningful because the unfulfilled indicators are replaced with other rewards (large salaries, job opportunities for local people, etc.). In accordance with the research of Gramlich and Finster (2013) which states that companies with a larger scale and engaged in different fields will certainly have their own risk characteristics that other companies may not face.

The research conducted is in line with the research of Cahaya and Hervina (2019) who argue that the low level of disclosure of human rights implementation in public companies is because companies choose not to disclose information that they might exploit labor and forced labor. So if there are no reports related to the disclosure of human rights implementation, it means that there are indeed no cases that can be reported. In line with Lina Setiawati

(2019) which states that there is no influence between the level of corporate social performance disclosure and investment risk. This research is consistent with research conducted by Becchetti et al., (2012) which gives the result that Social Disclosure has no effect on the rate of return on investment so there is no effect to reduce/increase investment risk.

3. Effect of Governance on Investment Risk

Based on the test results of the third hypothesis, it shows that there is a significant influence between governance on investment risk with a negative beta coefficient. This means that the better the governance performance is followed by an increase in investment risk. Good governance is also needed to regulate and control the relationship between the management of the organization and all parties who have an interest in the organization regarding their rights and obligations in accordance with the vision and mission of the organization. With a very high urgency, companies are increasingly trying to make governance performance better so that the costs incurred for improving governance performance are also higher, where these costs reduce profits which impact on decreasing returns earned by investors.

Saidah (2014) entitled the effect of governance mechanisms on corporate risk disclosure shows the result that only the board of commissioners has an effect on risk management disclosure and has a significant effect. Research conducted by Swarte et al., (2019) entitled the influence of ownership structure and corporate governance on risk management disclosure, provides research results that public ownership and the board of commissioners have an effect on risk management disclosure.

4. Effect of ESG on Investment Risk

Based on the test results of the fourth hypothesis, it shows that there is a positive and significant influence at the level of sig 10% between ESG and investment risk with a positive beta coefficient. This means that with good ESG performance, it is able to reduce the level of investment risk. This implementation is accelerated by the existence of various regulations aimed at regulating and monitoring the company's real contribution to the ESG principles. ESG is closely related to all operational activities of the company. ESG wants to emphasize the importance of sustainability in all of the company's business activities. Investor confidence increases if a company is able to apply ESG because it is considered capable of minimizing negative effects or risks that are likely to occur in the future. ESG as a means to achieve a long-term vision, is a form of positive contribution from a non-profit perspective but affects the company's profit (revenue). Both from a financial and operational standpoint.

5. Effect of Environmental Performance on Investment Risk moderated by CEO Power.

Based on the test results of the fifth hypothesis, it shows that CEO power fully moderates environmental performance on investment risk with a negative beta coefficient value. This means that the presence of CEO Power can increase the influence of environmental performance on investment risk. The results of this study are also in line with legitimacy theory where one way to gain strong legitimacy from the public is by providing non-financial information. Information disclosed by the company will be able to invite support and trust from the public and stakeholders through trust in using the company's products or through the inclusion of working capital in the form of assets which will certainly improve operations. In this study, the length of time a CEO has served in a company is dominated by a period of less than 10 years, to be precise at 7 years and 6 months. The results of a study by Carnahan et al., (2012) found that companies led by newly appointed CEOs tend to be more significant in agreeing to environmental disclosures and are motivated to further improve their environmental performance. This shows that the ENV variable moderated by CEO Power has an effect on the level of investment risk in oil and gas sub-sector companies listed on the IDX for the 2019-2022 period. So that it provides support for H5 which states that ENV which is moderated by CEO Power has an effect on Investment Risk..

6. The Effect of Social Performance on Company Investment Risk moderated by CEO Power

Based on the test results of the sixth hypothesis, it shows that CEO power does not moderate the effect of social performance on investment risk. Research related to the effect of social performance on corporate investment risk moderated by CEO power shows results that have no effect. This result could have occurred, because the CEO considered that the practice of disclosing social performance would incur higher costs which would automatically be followed by higher product selling prices. This thinking evolved because executive management and boards of directors work on social policies for the benefit of the company. From the results of hypothesis 2 that social performance has no effect on investment risk caused by a lack of health facilities, the presence of CEO power is not able to increase or decrease the influence of this variable. In line with research from Buallay (2019) which states that social policy allows for corporate costs to arise, costs borne by stakeholders can reduce asset efficiency (ROA). Natonis (2019) argues that the position or position of the CEO is considered one of the most powerful positions in the company.

7. Effect of Governance Performance on Company Investment Risk moderated by CEO Power.

Based on the test results of the seventh hypothesis, it shows that CEO power does not moderate the effect of governance on investment risk. The data in this study show that there are more CEOs with ten years of service. CEOs at the start of their tenure tend to take on new initiatives and broaden their knowledge and skills as the tenure progresses. So the company has to adapt again regarding these new initiatives which may not necessarily make a positive contribution to the company. But when CEOs' tenures are long enough, they become overly committed to their own views of the company, miopically committed to their outdated

paradigms, and tend to be less adaptable to external environments and less open to strategic changes. So whether or not there is CEO power will not change the course of governance in the company because employees will continue to provide the best version of themselves with or without pressure from the CEO.

The results of this study are in line with Suhita (2020) which says that CEOs with younger years of service prefer challenges, dynamic ideas, and tend to be willing to take risks so they often ignore governance which indirectly affects the company's investment risk because governance bad management coupled with the CEO providing new initiatives so that the company needs to readjust to the policies given. This ultimately underlies the results of this study, that the CEO Power variable has no effect on the level of investment risk in oil and gas sub-sector companies listed on the IDX for the 2019-2022 period. So it does not provide support for hypothesis 7 which states that CEO Power moderates the effect of the GOV variable on Investment Risk.

8. Effect of ESG Performance on Company Investment Risk moderated by CEO Power.

Based on the test results of the eighth hypothesis, it shows that CEO power fully moderates ESG on investment risk with a positive beta coefficient. This means that the presence of CEO Power is able to further reduce the influence of ESG on investment risk. Disclosure of information related to ESG does not only come from market demands, but is also accompanied by company efforts to fulfill them. Various studies show that a CEO has the ability to influence policy disclosure. The CEO is one of the main decision makers who has the power of direct control over the company's operations. Thus, as the core subject of the executive team, the efforts of the CEO within a company become one of the main determinants influencing the strategic decisions taken by the company. The CEO can influence the level of ESG disclosure by the company. To attract investors to invest in a company, the company must be able to reflect a low value of investment risk and a high rate of return on investment. This is because low investment risk and a high rate of return on investment will increase the welfare of its investors. Equity participation is one of the most important supporting factors for the company's activities. Because capital is needed for every company activity in generating profits.

The results of this study are in line with research from Song and Thakor (2011) which proves CEO incentives to control the ESG information disclosed to the board. Because the quality of disclosure reflects the CEO's ability to understand the underlying competitive environment and effectively anticipate for future results. Higher disclosure quality indicates the ability of executives to increase investment returns and reduce investment risks (Hui and Matsunaga, 2015).

CONCLUSION AND RECOMMENDATION

A. Conclusion

Based on the formulation of the problem, hypothesis and research results, the conclusions of this study are as follows:

1. Environmental Performance influences Investment Risk. The company also provides the amount of fees for environmental protection and investment based on the type of company's operational activities. In this case, the environmental performance provided by the company is in accordance with the benefits obtained by the community so that the community is not worried about the sustainability of the environment and biodiversity around their residence, but for these activities requires costs that can reduce profits. These results support research conducted by Benlemlih et al., (2018); Kim (2020); Lee et al., (2023); Natalia Iswara Betariani (2009) and Gramlich and Finster (2013).

2. Social Performance has no effect on reducing Investment Risk. Based on the results of the checklist which refers to the Global Reporting Initiative (GRI) G.4, the aspects of staffing and security have been maximally implemented, but the company has not contributed in terms of reporting on legal actions that have been implemented in its operational activities (compliance with laws and regulations), this happens because there is no action that violates the law in the company so there is no need to report. The results of this study are in line with research conducted by Cahaya and Hervina (2019); Lina Setiawati (2019); and Becchetti et al., (2012).

3. Governance (GOV) has an effect on Investment Risk. The implementation of good corporate governance is believed to be able to strengthen the company's competitive position on an ongoing basis, manage resources and risks more efficiently and effectively, increase corporate value and investor confidence. Good governance is also needed to regulate and control the relationship between the management of the organization and all parties who have an interest in the organization regarding their rights and obligations in accordance with the vision and mission of the organization. In short, corporate governance is needed to increase company transparency to stakeholders. The results of this study are in line with research conducted by Brown (2004); Saidah (2014); Siagian Sondang (2018); Sitanggang et al., (2019); Va'zquez et al., (2002) and Swarte et al., (2019).

4. ESG has a positive and significant effect at the 10% level on reducing Investment Risk. ESG has a broad scope, so it is only natural that not all aspects will make a positive contribution in reducing investment risk in the company. Companies that apply ESG principles in their business and investment practices will also integrate and implement their company policies so that they are aligned with the sustainability of the three ESG elements, namely environment, social and governance. Later, the application of ESG will now attract many investors who want to work with companies because environmentally friendly energy is one of the investors' main assessments. The results of this

study are in line with research conducted by Buallay (2019); Triyani (2020) and Cecilia et al., (2015).

5. CEO power moderates the effect of environmental performance on Investment Risk. The results of this study are also in line with legitimacy theory where one way to gain strong legitimacy from the public is by providing non-financial information. The information disclosed by the company will be able to invite support and trust from the public and stakeholders through trust in using the company's products or through the inclusion of working capital in the form of assets which will certainly improve the company's operations. The results of this study are in line with research conducted by Carnahan et al., (2012); Miller D (2001); Qiu et al., (2016) and Mumtazah et al., (2020).

6. The power of the CEO does not moderate the effect of social performance on Investment Risk. The practice of disclosing social performance will incur higher costs which are automatically followed by higher product selling prices. This thinking evolved because executive management and boards of directors work on social policies for the benefit of the company. Social Performance is not used as a medium of communication to establish long-term relationships with stakeholders , because it is considered not to have an impact on the company's economy, therefore in this case the power of the CEO is not too influential . The results of this study are in line with research conducted by Buallay (2019); Chen et al., (2018); Kostovetsky et al., (2014); He et al., (2015); Huang (2012); McCarthy et al., (2017); Natonis (2019); Roach et al., (2016); Willekens et al., (2023) and Wellalage et al., (2018).

7. CEO power does not moderate Governance Performance against Investment Risk. CEOs at the start of their tenure tend to take on new initiatives and broaden their knowledge and skills as the tenure progresses. So the company has to adapt again regarding these new initiatives which may not necessarily make a positive contribution to the company. But when CEOs' tenures are long enough, they become overly committed to their own view of the company, miopically committed to their outdated paradigms, and tend to be less adaptable to external environments and less open to strategic changes. The results of this study are in line with research conducted by Suhita (2020) which says that CEOs with younger tenure prefer challenges, dynamic ideas, and tend to take risks so that they often ignore governance which causes an indirect effect on the company's investment risk because with bad governance coupled with CEOs who provide new initiatives so that companies need to readjust to the policies given.

8. CEO power moderates ESG Performance on Investment Risk. The CEO can influence the level of ESG disclosure by the company. To attract investors to invest in a company, the company must be able to reflect a good ESG value. So, the increase in company performance shown by ESG disclosure will be stronger with greater CEO power, because stakeholders will then see the signaling effect (signalling theory) of ESG disclosure into greater commitment from the company. The results of this study are in line with research conducted by Hui et al., (2015); Li et al., (2018); Song et al., (2011) and P Velte (2019).

B. Suggestion

The author realizes that the author's knowledge and experience, both theoretically and practically, are still limited. The author hopes that future research will be able to present higher quality research results with several inputs, including:

1. The next writer is expected to increase the number of samples in order to get better research results.
2. The next writer is expected to conduct research not only in oil and gas sub-sector companies but also in other sectors.
3. The next writer is expected to be able to enrich the discussion by replacing or adding other variables.

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