ABSTRACT

CAPM and the Fama–French Three-Factor Model (FF3) remain unable to fully capture all risk sources relevant to investors. Environmental, Social, and Governance (ESG) disclosure has increasingly become a consideration in investment decisions, yet research examining ESG disclosure as an additional variable within an Extended FF3 in ASEAN-5 capital markets remains limited. This study examines whether ESG Disclosure Score has incremental explanatory power for excess stock return beyond the three FF3 factors (market risk premium, size factor, value factor) among non-financial companies in ASEAN-5. This study uses panel data regression on 315 non-financial companies in Indonesia, Malaysia, Singapore, Thailand, and the Philippines, with monthly observations from January 2020 to December 2025 (22,680 observations). ESG Disclosure Score is lagged by one year (t-1) to mitigate look-ahead bias. The model is estimated using the Common Effect Model (Pooled OLS), selected based on the Chow test and Lagrange Multiplier test, with robust standard errors clustered at the firm level. Results show that market risk premium, size factor, and value factor have a significant positive effect on excess stock return, consistent with FF3 theory. ESG Disclosure Score has a significant negative effect, indicating investors accept lower expected returns for shares with better ESG disclosure. Adding ESG Disclosure Score yields a statistically significant, though small, incremental R-squared, with results consistent both with and without country dummies.

Keywords: ESG Disclosure Score, Fama–French Three-Factor Model, excess stock return, ESG asset pricing, ASEAN-5.