

ABSTRACT

This study intends to examine the value relevance of information on environmental, social, and governance (ESG). To assess the value relevance, this study employ both price model and return model. This study analyze the value relevance of ESG disclosure on both aggregate and singular aspect. The final sample of this study is 281 firm-year observations from the main sector and manufacturing listed on the Indonesia Stock Exchange in the period 2012 to 2018. Sample is selected using purposive sampling method. The criteria to select the sample is based on the availability of data, hence companies that do not disclose ESG information are not selected as samples. Regression is used as data analysis method.

This study provides an empirical evidence on the value relevance of environmental, social, and ESG on both price model and return model. However, governance disclosure has no effect on both share price and stock return. ESG disclosure on aggregate level has higher value relevance than on individual level. Among the individual information components, environmental information has the highest value relevance compared to other types of information.

The empirical findings provides an implication to the market participants regarding the importance of integrating ESG information into the investment valuation models. Investors consider ESG information both in the aggregate and individual level. The empirical evidence on the value relevance of ESG information supports the implementation process of sustainability reporting regulation in Indonesia.

Keywords : value relevance, ESG disclosure, price model, return model, sustainability reporting.