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# The relationship between Sustainability reporting and Company value in the ESG Era in Companies listed on the Indonesia Stock Exchange

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**Abstract:** ESG (Evironmental, Social, and Governace) is a concept that must be considered by companies in order to be able to survive and achieve sustainability. This issue has become the center of attention among companies and business people in Indonesia. The challenges and opportunities that can be faced are understanding sustainability by implementing sustainable reporting and developing significantly. This research uses a literature approach which aims to understand more deeply about sustainability issues. The results show that sustainability reporting has a significant influence on the Company's value, even though the Company experiences various impacts according to the segmentation undertaken. Factors such as the scope of disclosure are important in meeting the challenges and opportunities in sustainability issues.

**Keywords:** ESG, Company values, Sustainability reporting.

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# Introduction

Sustainability issues in recent years have become the main focus of attention for global and local companies. However, what makes their approach unique is how they integrate sustainability principles into their business strategy in a holistic and innovative way. Not only complying with environmental regulations, but also creating meaningful added value for the community and the surrounding environment. Companies are not only expected to generate profits, but also to run businesses that are environmentally responsible, social, and governance (Evironmental, Social, and Governace or ESG). ESG refers to a broad set of environmental, social, and governance factors and can affect a company's ability to execute its business strategy and build long-term value (Ningwati et al., 2022). The application of this ESG concept has been an important factor in attracting investors, building a company's reputation, and creating long-term value for shareholders.

In Indonesia, the regulation from the OJK is contained in POJK Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, emoten, and public companies. This regulation requires financial service institutions, issuers, and public companies to implement sustainable finance in business activities listed in article 2 paragraph 1.

However, the impact of sustainability reporting on company value is still a debated topic. Previous research has shown mixed results. Some studies have found that sustainability reporting contributes positively to company value such as research conducted by (Pratama et al., 2019). Research conducted by (Prasetyo, 2024) says that sustainability reporting is able to realize and increase company value. However, on the other hand, there is research that says that sustainability reporting does not affect company value, because the narrow scope of sustainability reporting disclosure does not affect company value (Pertapini & Kusumawati, 2022).

As a developing country, Indonesia has unique challenges and opportunities in the implementation of ESG. Many companies listed on the Indonesia Stock Exchange (IDX) are starting to implement sustainable reporting and are growing significantly, driven by the growing awareness of the ecological, social, and governance consequences of sustainable companies (Dupopadana et al., 2024). It is therefore important to understand how the relationship between sustainability reporting and corporate values will be discussed in the literature, especially in the context of Indonesian companies that are navigating changes in the ESG era.

Based on this background, this study aims to conduct a literature review to identify the relationship between sustainability reporting and corporate value. The review will also highlight key findings and existing research gaps, as well as provide insights for companies and other stakeholders in optimizing sustainability reporting to create long-term value.

This study uses a literature review approach to understand the relationship between sustainability reporting and corporate value in the Environmental, Social, and Governance (ESG) era in companies listed on the Indonesia Stock Exchange. This approach was chosen because it allows researchers to dig into various previous findings, as well as identify trends. By utilizing reliable sources such as scientific journals, research reports, and official publications, this study provides a strong theoretical foundation to understand the dynamics of sustainability reporting in Indonesia.

# Concept and Hypothesis

## Environmental, Social, and Governance (ESG)

According to (Christy & Sofie, 2023), ESG is a framework that includes three main aspects namely environmental, social, and governance. This framework is used as a matrix to consider investment decisions as well as a reference for companies in reporting their operational impact on these aspects. For stakeholders, ESG also serves to identify non-financial risks and opportunities associated with the company's operational activities. Hariyanto & Ghozali, (2024) said that the concept of ESG must be considered for companies for now, why is that, because ESG is a measurement that companies often use to evaluate their performance when carrying out company activities.

The disclosure of Environmental, Social, and Governance (ESG) aspects supported by relevant authority regulations is expected to be able to expand public understanding of the importance of sustainable investment. For companies, transparency in ESG reporting not only attracts the attention of investors who care about sustainability, but also strengthens the company's positive image. A better reputation opens up opportunities to reach more consumers, while building stronger and loyal relationships (Syaputri & Linda, 2024).

## Sustainability Reporting

According to Anna & R.T, (2019), sustainability reporting describes how a company integrates non-financial factors that include social, environmental, and governance aspects. These factors play a crucial role in shaping future performance and reputation, while also reflecting the company's commitment to Long-term responsibility.

Disclosure Sustainability reporting is a form of sustainable information that is in line with signaling theory. This disclosure aims to provide a positive signal to investors through transparent information and in accordance with the company's practices. Managers of companies with good performance tend to submit reports that highlight positive aspects, while managers of companies with less satisfactory performance tend to be reluctant to publish similar information (Pratama et al., 2019).

Sustainability reporting according to research by Stefani & Paramitha, (2022) that a sustainability report outlines how a company runs its business by paying attention to various important aspects. First, economic aspects that include financial performance, presence in the market, indirect economic impacts, and other elements. Second, environmental aspects that emphasize the importance of disclosure related to company materials, energy consumption, water use, biodiversity, emissions, and other environmental issues. Finally, the social aspect, which is at the core of this sustainability report, discusses the company's contribution in supporting the surrounding community and employee welfare as an important part of business operations. Through this disclosure, the company shows its social and environmental responsibility to ensure the sustainability of business activities in the future.

This sustainability reporting helps investors or stakeholders to realize whether the company is making a positive contribution to reducing its negative impact and its investors. There are several benefits of sustainability reports, namely reducing environmental, social and governance impacts, improving the company's reputation or company value, helping stakeholders understand their true value and showing organizations that are influential and influenced by expectations about sustainable development (Tri Setyo Mulyani, 2022).

## Company Values

The company's value reflects a comprehensive picture of the company's performance condition and achievements, as well as a reflection of the public's assessment of various aspects that affect its reputation. This value plays an important role as a benchmark for creditors and investors in assessing the attractiveness of the company as a business partner or place of investment. The relationship between a company's value and stock prices shows how investors' expectations of a company's success can affect fluctuations in its value. In other words, company value is a vital indicator that reflects the level of effectiveness of management's performance in creating market trust and maintaining its competitiveness (Lestari & Khomsiyah, 2023).

### The Role of ESG (Environment, Social, and Governance) on Corporate Value

ESG is one of the factors that can affect the value of the company (Ryan). With ESG, it can improve the management of information and can help investors and stakeholders understand the ESG risks and impacts of a company (Paramitha & Devi, 2024).

### Sustainability Reporting in Indonesia

Sustainability Reporting has been widely implemented in Indonesia, one of which is PT Bank Central Asia Tbk. BCA has shown improvement in its business by building performance in economic, environmental, and social dimensions in making sustainability reports (Adhi & Cahyonowati, 2023) In Indonesia, sustainability reporting has been implemented in the Financial Services Authority Regulation Number 51/POJK.03/2017. In addition, sustainability reporting has also been applied to companies listed on the Indonesia Stock Exchange, such as conventional banks in Indonesia, where this sustainability reporting has a positive influence on the company (Monika & Murniati, 2023).

## Method

According This study uses a literature study, namely by analyzing various researches and publications that are relevant to the topic of sustainability reporting and company values. The data studied came from indexed journals, scientific articles, and applicable regulations such as POJK Number 51/POJK.03/2017. The literature selection process was carried out based on the following criteria, namely: 1) publications published in the last five years to maintain relevance, 2) research focused on companies listed on the Indonesia Stock Exchange, and 3) articles discussing ESG aspects or sustainability reporting. The results of this literature analysis are organized by key themes, such as the impact of sustainability reporting on company values and the factors that influence those relationships.

## Result and Discussion

### The Relationship of Sustainability Reports to Company Values

Sustainability reporting has a very close relationship with the company's values. Sustainable reports that are prepared in a transparent and comprehensive manner can increase the trust of stakeholders, including investors, because they provide information on the company's performance in economic, social, and environmental aspects. This disclosure helps reduce information asymmetry between management and shareholders, thereby driving better investment decisions. In addition, the implementation of sustainability reports supports the theory of legitimacy, where companies that comply with social norms and show responsibility for the environment will be more easily accepted by the public. With a good sustainability report, the company increases investor attraction (Arifin, 2024), encourages an increase in market value, and strengthens operational sustainability (Hapsari, 2023). On the other hand, incomplete reports can create the impression that the company is only fulfilling formal obligations, which can lower investor interest and negatively impact the company's value.

### The Influence of Sustainability Reporting on Company Value

According to research conducted by Sholikah & Khusnah, (2020), sustainable reporting that emphasizes economic and environmental aspects has been proven to have a positive and significant influence on financial performance and company value. This shows that a focus on economic and environmental sustainability can increase a company's profits and attract investors, thereby increasing the company's overall value. In contrast, social sustainability shows a negative influence on a company's value and has no impact on financial performance, indicating the perception of investors who may perceive it as a burden. In addition, financial performance can mediate the relationship between economic and environmental sustainability and company value, but it cannot mediate the relationship between social sustainability and company value. Therefore, sustainable reporting that focuses on economic and environmental aspects has greater potential in increasing company value.

According to Nisasih & Prijanto Budi, (2023) in his research focusing on agricultural sector companies listed on the Indonesia Stock Exchange for the 2020-2022 period, it is said that the Sustainability Report has a negative impact on the company's value. In the disclosure of the Sustainability Report, the items to be disclosed are voluntary, therefore, not all sustainability indicators are disclosed by every company. It can be interpreted that the sustainability reporting disclosed gives the impression of a company's inability to meet ESG-related commitments or issues.

Research conducted by Septia & Idawati, (2023) whose research focuses on the manufacturing company sector listed on the Indonesia Stock Exchange for the 2017-2021 period, that the impact of sustainability reporting on the economic dimension has a negative effect on company value, therefore the disclosure of economic performance in sustainability reporting cannot increase the value of the company. The environmental dimension also has no effect on the company's value because it does not have an impact on the decisions of stakeholders. The social dimension also has no effect on the company's value because the stakeholders of these social activities only add costs which will affect reduced profits.

According to research conducted by Sadipun, (2022) that in the environmental dimension, sustainability reporting has a negative and insignificant effect on company value. From the disclosure of sustainability reports in the environmental dimension does not affect the value of the company because there are many companies if they take responsibility for the environment will increase costs and can reduce the lab of the company. In the social dimension, the influence of sustainability reporting on company value is positive but not significant because companies are concerned with profits compared to expressing social responsibility. For the economic dimension, sustainability reporting has a positive and significant influence on the company's value because, according to the company, disclosing sustainability reporting on the economic dimension is considered important for consideration for investors in investing in shares in the company.

**Table 1**: Summary of Research on the Influence of Sustainability Reporting

| Researchers | Research Focus | Key Results |
|---|---|---|
| (Paramita et al., 2021) | Sustainability reports on company values that focus on environmental, economic and social dimensions. | The environmental dimension has a positive effect on the company's value, as well as the economic and social dimensions. |
| (Pujiningsih, 2020) | The effect of *sustainability reporting* on company value which discusses environmental, economic, and social dimensions. | The environmental, economic, and social dimensions have a negative impact. |
| (Kaplale et al., 2023) | The Influence of ESC on the Value of Companies Focusing on Social and Environmental Dimensions in Manufacturing Companies Listed on the IDX for the 2018-2020 Period | It has no effect on the environmental dimension as well as the social dimension. |
| (Sevnia & Susi Dwi | The Impact of Sustainability | Dimensions have a |

| | | |
|---|---|---|
| Mulyani, 2023) | Reporting on Company Value Emphasizing the Environmental Dimension | negative effect on the company's value. |

Source: data processed (2025)

## Factors Determining the Impact of Sustainability Reporting

The findings of the study show that the impact of Sustainability reporting on the value of the company varies depending on the dimensions emphasized. In the economic dimension, it was found that economic sustainability has a positive and significant effect because it gives investors confidence about the stability and profitability of the company. The environmental dimension is found to have a negative or insignificant influence because environmental responsibility efforts often increase operational costs. The social dimension is often considered an additional burden by stakeholders but in certain cases the social dimension can have a positive influence although it is not significant as it improves relationships with the community and customers.

The scope and quality of disclosure in sustainability reporting in the study found that there are items in sustainability reporting that are voluntary, so companies tend to only disclose aspects that are easy or beneficial to them. This gives the impression of the company's inability to fulfill its overall sustainability commitments. Research also shows that the industrial sector has a significant effect on the impact of sustainability reporting. The agricultural sector has a negative impact because this sector has unique challenges, such as high environmental and social expectations, but with limited profits. In the manufacturing sector, sustainability reporting has no impact on the company's value because stakeholders do not consider sustainability efforts to be relevant to their investment decisions. In the general sector, good sustainability management tends to have a positive impact on the company's value.

**Table 2**: Determinants of Sustainability Reporting Impact

| Factor | Description | Impact on Company Value |
|---|---|---|
| Economic Dimension | Investors' confidence in the company's financial stability (Positive); less relevant in certain sectors (negative) | Positive/negative |
| Environmental Dimensions | Environmental responsibility costs are considered to burden the company's operations | Negative |
| Social dimension | Investor perception that social sustainability does not directly contribute to profits | Negative |
| Scope of Disclosure | Partial disclosure gives the impression of a company's inability to meet ESG commitments | Negative |
| Industrial Sector | Certain sectors face greater challenges in *sustainability reporting* | Negative |

Source: data processed (2025)

# Conclusion

The results of a literature review on the relationship between sustainability reporting and company value in the ESG era show that sustainability reporting has a significant influence on company value, although the impact varies depending on the dimension emphasized. The economic dimension often shows a positive influence, increasing investors' confidence in the stability and profitability of the company, which contributes to the increase in the value of the company. On the other hand, environmental and social dimensions often have a negative or insignificant influence, as they are considered additional costs that burden the company's operations. Factors such as disclosure coverage and industry sectors also play an important role in determining the impact of sustainability reporting. Incomplete disclosure can create a negative perception of a company's ability to meet ESG commitments, while certain sectors such as agriculture face greater challenges in managing sustainability. Therefore, to maximize the benefits of sustainability reporting in supporting company value in the ESG era, companies need to ensure that such disclosures are comprehensive, relevant, and in line with stakeholder expectations.

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