# “A literacy of the relevance of Asian value sustainability reporting in Indonesia”


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# A LITERACY OF THE RELEVANCE OF ASIAN VALUE SUSTAINABILITY REPORTING IN INDONESIA

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## Abstract

An independent institution gives appreciation to companies in Indonesia that have published their sustainability reports by ranking their sustainability reports in the Asia Sustainability Reporting Rating. This institution plays a role in facilitating and encouraging companies, organizations and other entities in Indonesia to adopt good sustainability reporting practices. This ranking factor is predicted to influence the movement of abnormal returns so that it can influence value relevance through the earnings response coefficient. The aim of this study is to reveal the relevance of value in order to obtain empirical evidence regarding the influence of sustainability reports, sustainable report ratings and earnings persistence on the earnings response coefficient. The research sample was 130 companies in Indonesia that were included in the Asia Sustainability Reporting Ranking for the period 2019 to 2022. This paper uses a quantitative multiple linear regression method to test the hypothesis. The research results show that consistent profits can be predicted from the past and make a positive contribution to future earnings response. A company transparently discloses its performance in the sustainability aspect, thereby making the profit response more positive. Companies with high sustainability ratings tend to get a more positive profit response from the market and stakeholders. This study suggests that management and company owners in Indonesia are aware of the need to pay attention to long-term sustainability through the publication of sustainability reports to become a company's commitment to implementing sustainability and minimizing risks arising from the company's economic, social and environmental activities.

**Keywords** abnormal return, disclosure, earnings, environment, financial information, persistence, sustainability report, report rating

**JEL Classification** G53, M40, M41

## INTRODUCTION

In the era of industrialization, social environmental responsibility plays an important role that must be considered by businesspeople. This opinion supports the implementation of Presidential Regulation No. 59 of 2017 on the Implementation of the Achievement of Sustainable Development Goals (ASDGs), which further strengthens the obligation of all economic actors to play an active role in ensuring the success of the Sustainable Development Goals (SDGs). However, in practice there are still many corporations that do not maintain environmental balance, such as environmental pollution due to waste, so a team needs to be deployed to check environmental permits and wastewater disposal installations.

This requirement serves as an example of how businesses can publish sustainability reports to demonstrate their commitment to long-term sustainability. A company's dedication to adopting sustainability and limiting risks is demonstrated through its sustainability reports. This



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is the most appropriate way to communicate to stakeholders about company activities related to sustainability, so that companies do not only pursue profits but have a sense of empathy for the environment and social surroundings (Elsakit & Worthington, 2014).

Furthermore, if sustainability reports meet reporting standards in accordance with GRI Standards and are aligned with the objectives of the Sustainable Development Goals (SDGs) and when sustainability reports become mandatory, then Indonesia will enter a new era of more transparent accountability. The biggest challenge for corporations is the ability to follow new accountability standards while making corporate accountability a strategy to strengthen positioning in the industrial sector.

By awarding sustainability reports with the Asia Sustainability Reporting Rating, the National Center for Sustainability Reporting, an independent organization, shows gratitude to businesses that have released their sustainability reports. Asia Sustainability Reporting Rating participants are not only national but have reached the Southeast Asian level. Asia Sustainability Reporting Rating participating companies have automatically published sustainability reports and are then assessed by assessors with an emphasis on transparency and accountability.

## 1. LITERATURE REVIEW

This study uses a signal theory approach. According to this theory, companies with good quality will deliberately give signals to the market, so that the market is expected to be able to differentiate between good and bad quality companies. Signal theory explains how companies should provide signals to users of financial statements. Companies publish financial reports, and sustainability reports are used as signals to provide good information to the market. The signals given by the market to the public will influence stock market prices.

Information as a signal describes the actions taken by management to fulfill the desires of stakeholders and shareholders. Information that claims the firm is superior to competitors can be a signal, and it is accountable for the effects it has on operations. As stated by Subramaniam and Shaiban (2011), in practice, the disclosure of financial information and non-financial information is generally beneficial for companies related to the implementation of good corporate governance, thereby creating good company quality in the market.

Companies that publish sustainability reports will provide information as a good signal or vice versa. When used in corporate disclosure practices, signaling theory is generally beneficial for companies to disclose information as a responsible action for operations that have social, environmental and economic impacts, including good corporate governance practices, so as to create good corporate quality in the market (Subramaniam & Shaiban, 2011; Ng & Rezaee, 2018). If a company consistently provides information that describes good performance and sustainability, then the market will interpret this condition as a sign of a quality company that has positive prospects. This shows the effect of financial and non-financial information as a quality signal.

By applying the concept of signal theory, this study can identify how information provided by a company acts as a signal that influences market perceptions of corporate value. This perception in turn can influence the actions of investors, analysts, and other stakeholders towards companies in the Asia Sustainability Reporting Rating group of companies.

Quality profits are profits that can show continuity of profits, so that persistent profits tend to be stable from period to period and are shown by the accrual and cash flow components as components of the profit itself. As a result, the more useful the information is to help creditors, investors, and other users make forecasts about the past, present, and future, or to confirm or adjust their expectations, the greater the persistence of profit. As stated by Penman and Zhang (2002), earnings persistence is a revision of expected accounting profits in the coming year as shown by current year profits. If the market value of stock and accounting numbers are consistently correlated, then accounting figures are said to have value significance.

The degree to which accounting earnings are relevant is determined by examining the correlation between profits and the stock return rate of a firm. The earnings response coefficient is a statistic that depicts the link between profits and stock return levels. If an accounting number provides information that is important for investors to consider when evaluating a firm and is quantified sufficiently to be reflected in the stock price, it will be relevant and have a substantial (predictable) association with stock prices (Barth et al., 2008). The extent of an anomalous return on a security in reaction to the stated persistence of profits for the firm is measured by the earnings response coefficient (Scott, 2015). According to Ng and Razee (2018), persistent earnings indicate profits that can act as an indicator of future profits generated by the company repeatedly over the long term.

Earnings persistence can be considered an indicator of the stability and consistency of earnings over time. According to Penman (2003), profit persistence refers to profit that can serve as a predictor of future profits that a firm will consistently generate over an extended period of time. If profits have high persistence, then this can be interpreted as a signal that the company has good control over its operations and has a positive impact on company value. Easton and Zmijweski (2000) show that earnings persistence is positively related to ERC. Persistent profits make the ERC vary between companies (cross sectional), and the ERC of permanent profits is higher than transitory profits (Collins & Kothari, 1989). The degree of earnings persistence, earnings predictability, stock correlation with market returns, firm growth, and industry characteristics all affect the earnings response coefficient (Lipe, 1990; Biddle & Seow, 1991). Easton and Zmijweski (1989) also found that earnings persistence has a positive effect on ERC. The same support is also provided by Holbrook (2013), Ghosh et al. (2005), Kusuma and Subowo (2018); Yusuf et al. (2019) state that earnings persistence has a positive effect on value relevance.

Sustainability reports published by corporations are very helpful in providing information for investors in making decisions. The published sustainability report information provides a signal regarding a corporation's prospects. A company's aim of publishing a sustainability report (SR) is to reduce information asymmetry due to the limited information disclosed by the company from financial information alone such as profits. Disclosure of sustainability reports (SR) on share price movements around the publication date, so that the good news sought by the company can be responded well by investors. Through the publication of sustainability reports (SR), positive responses do not only come from investors, but also from stakeholders. Stakeholders other than shareholders will feel cared for because the company does not exclusively pursue profit. If the company has full concern for its stakeholders, which is marked by the emergence of sustainability programs that provide direct benefits, then of course stakeholders will be more loyal to the corporation. Stakeholder loyalty will have a good effect on company performance. Through sustainability reports (SR) as a medium for corporate communication with stakeholders, it shows that sustainability reports reflect the company's social and environmental responsibilities.

In the context of signal theory, this disclosure is a signal that the company cares about operations that impact the environment and society, which can increase positive perceptions from the market. This positive market reaction will make the market more loyal to the company's products/services so that the level of profit obtained increases. In the end, investors will remain loyal to the company because it is able to stably maintain positive performance in the future. Hasanzade et al. (2013) found that sustainability reports had a positive effect on the earnings response coefficient.

The Asia Sustainability Reporting Rating is an idea released by an independent institution that concentrates on developing sustainable development in Indonesia, namely the National Center for Sustainability Reporting. Corporations that participate in the Asia Sustainability Reporting Rating be assessed by competent assurers who have relevant certification in their field, who will then provide a rating based on the criteria set by


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the National Center for Sustainability Reporting for eligible companies. The rankings are categorized into four levels, namely platinum, gold, silver, and bronze. When a corporation obtains the highest rating, namely platinum, this means that the sustainable report issued by management is considered to be of high quality in accounting for its performance and shows the breadth of information disclosed in the sustainable report, attracting investors' attention. Furthermore, this situation is also supported by assessment criteria for each ranking, as well as being supported by assurers/appraisers who are professional, competent and certified in their field. Furthermore, this situation is also supported by assessment criteria for each ranking, as well as being supported by assurers/appraisers who are professional, competent and certified in their field. This makes investors increasingly confident in their response to a corporation's future prospects as an investment option. The signal theory approach views the securities ranking of Asia Sustainability Reporting Rating participants as an event that has valuable information content as a good signal (good news) for each company's ranking level.

If a company gets a high sustainability report rating from an independent institution, this can be interpreted as a signal that the company has been recognized by independent parties as an entity that adheres to sustainable and ethical business practices. When a company maintains sustainable report quality in accordance with GRI Standards, this will make investors interested in investment decisions.

Research results related to sustainable report rankings are still very limited. In general, research linking sustainability report rankings to value relevance can provide insight into the extent to which corporate sustainability reports influence stakeholders' perceptions and views of corporate value. In several studies, it was found that companies that have good and consistent sustainability reports tend to be considered more valuable by investors and other stakeholders. A similar study was also conducted by Zakaria et al. (2013) who found that the sujuk rating had a negative influence on the earnings response coefficient (ERC). Meanwhile, Agustina et al. (2021) who analyzed the relationship between sukuk rankings using ratio analysis, showed that productivity was positively related to sukuk rankings, while profitability was negatively related.

This study formulates the research hypotheses as follows in order to provide a research model based on theory and numerous prior research findings:

$H_1$: *Earnings persistence has a positive effect on the earnings response coefficient.*

$H_2$: *Disclosure of sustainability reports has a positive effect on the earnings response coefficient.*

$H_3$: *A company's sustainability report rating has an impact on increasing the earnings response coefficient.*

## 2. METODHOLOGY

This study uses explanation research, namely conducting a study of empirical models carried out previously. Based on the results of this study, a value relevance determinant model was then formulated, which is reflected in the earnings response coefficient (ERC). The population in this study are companies included in the Asia Sustainability Reporting Rating (ASSRAT) for the period 2019 to 2022. The study uses secondary data that can be accessed via Bloomberg. Annual report and sustainability report data are obtained by directly accessing the company's official website. Annual reports can be obtained from the Indonesian Stock Exchange website. Sustainability reports can be obtained from the Global Reporting Initiative (GRI) database. The sampling technique uses purposive sampling, namely with the criteria that the company has complete research data. Based on the results of the sample selection process using the specified criteria, the number of research samples obtained was 135 companies.

Disclosure of sustainability reports is the disclosure of information about company activities from environmental, social and governance (ESG) aspects. The measurement of sustainability report disclosure uses ESG scores (Anonim, 2022), with the following statment:

$$Score = \frac{\begin{pmatrix} no.of\ companies \\ with\ a\ worse\ value \end{pmatrix} + \begin{pmatrix} no.of\ companies \\ with\ the\ same\ value \\ included \\ in\ the\ current\ one \end{pmatrix}}{2 \cdot \begin{pmatrix} no.of\ companies \\ with\ a\ value \end{pmatrix}}$$

where *Score* – An entity's ESG score is based on Environmental, Social and Governance factors in sustainability and social responsibility; *no.of companies with a worse value* – Number of companies that have lower/worse ESG scores than the companies evaluated; *no.of companies with a value* – Number of companies that have a certain score on the ESG dimension being evaluated; and *no.of. companies with the same value* included in the current one – Number of companies with the same ESG score is included in the current calculation.

The National Center for Sustainability Reports (NCSR), an independent institution authorized by the Financial Services Authority, carried out an in-depth analysis of sustainability report ranking activities. The aim is to motivate and accelerate the sustainability of corporate reporting by appreciating and communicating corporate performance through three aspects: economic, social, and environmental. The awards of this ranking primarily focus on reporting transparency and compliance with sustainability reporting guidelines developed by the Global Reporting Initiative Standards. All assessment elements include sustainability reports, economic, environmental, and social impacts arising from a company's operational activities, both positive and negative impacts. The ranking measurement is denoted as 1 = Platinum; 2 = Gold; 3 = Silver; and 4 = Bronze.

In this study, earnings persistence is measured on a net operting income (NOI) basis. Profit is declared persistent, if the NOI regression results produce a relatively small error or residual (ε), meaning that the profit generated now can have a level of capability in estimating future period profits because profits generated from a company's normal activities (sales) occur repeatedly (repetitively). The net operating income-based earnings persistence equation uses the following formula:

$$E_{i,t} = \beta_0 + \beta_1 \cdot E_{i,t-1} + \varepsilon_{i,t}, \qquad (1)$$

where $E_{i,t}$ – Net operating income $i$ in year $t$, $E_{i,t-1}$ – Net operating income $i$ before year $t$, $\beta_0$ – constant, $\beta_1$ – Net operating income coefficient, $\varepsilon_{i,t}$ – error or residual.

According to Homan (2018), the earnings response coefficient is the effect of each dollar of unexpected profit on stock returns and is usually measured by the slop coefficient in the regression of abnormal stock returns and unexpected profits. According to Collins et al. (1994), the future earnings response coefficient is the relationship between this year's return and next year's income, which shows the informativeness of stock prices. Future earnings response coefficient is often used as a measure to predict future earnings (Istianingsih et al., (2020).

First, look for daily returns and market returns using the following formula:

$$R_{i,t} = P_t - P_{t-1}, \qquad (2)$$

where $R_{i,t}$ – Return of company $i$ in period $t$, $P_t$ – Closing price of the security on day $t$, $P_{t-1}$ – Closing price of the security on day $t$–1.

$$R_m = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}, \qquad (3)$$

where $R_m$ – Market returns, $IHSG_t$ – Composite Stock Price Index of securities on day $t$, $IHSG_{t-1}$ – Composite Stock Price Index of securities on day $t$–1.


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After knowing the daily return and market return, then determine the abnormal return (AR). The AR calculation is carried out based on the market adjusted return model, which compares the returns of individual shares with the returns of shares moving on the market. The abnormal return calculation equation is as follows:

$$AR_{i,t} = R_{i,t} - Rm_{i,t}, \tag{4}$$

where $AR_{i,t}$ – Abnormal return of security $i$ in period $t$, $R_{i,t}$ – Actual return of security $i$ in period $t$, $Rm_{i,t}$ – Market return $i$ in period $t$.

The cumulative abnormal return (CAR) calculation uses an event study with a period of 11 days with details of 5 days before the sustainability report publication date (before event date), 1 day on the sustainability report publication date (event date), 5 days after the sustainability report publication date (after event date). The study used 11 days on the basis that the time period was considered appropriate, neither too long nor too fast, thereby preventing the emergence of biases such as mergers, acquisitions, rights issues, stock splits, etc. The cumulative abnormal return calculation equation is as follows:

$$CAR_{i,t}\left(-5.5\right) = \sum Ar_{i,t}, \tag{5}$$

where $CAR_{i,t}$ – Cumulative Abnormal Return of company $i$ in period $t$, $\sum Ar_{i,t}$ – Total Abnormal Return value of company $i$ in period $t$.

After the CAR element, the next step is to determine unexpected earnings (UE) using the random walk assumption, which can be calculated from the current year's profit per share minus the previous year's profit per share and then compared with the previous year's share price. The equation for calculating unexpected earnings using the approach is as follows:

$$UE_{i,t} = \frac{EPS_{i,t} - EPS_{i,t-1}}{P_{i,t-1}}, \tag{6}$$

where $UE_{i,t}$ – Unexpected Earnings of company $i$ in period $t$, $EPS_{i,t}$ – Unexpected Earnings of company $i$ in period $t$, $EPS_{i,t-1}$ – Earning Per Share of company $i$ in period $t$–1, and $P_{i,t-1}$ – Company $i$'s share price in period $t$–1.

## 3. RESULTS

Table 1 shows the mean, median, maximum, minimum, standard deviation values of each variable. The ERC, EP, and DSR variables have higher standard deviation values than the mean. This condition shows that the data is more homogeneous. The highest sustainability report ranking is Platinum with 42 companies; second place is Gold with 33 companies; Third rank is Silver with 29 companies, and the lowest rank is Bronze with 31 companies.

**Table 1.** Descriptive statistics of variables tested

Source: Authors' elaboration.

| | N | Min | Max | Mean | Std.Deviation |
|---|---|---|---|---|---|
| ERC | 135 | 0.132 | 0.189 | 0.0971 | 0.044118 |
| EP | 135 | 52.000 | 412.000 | 101.394 | 37.814 |
| DSR | 135 | 0.057 | 0.571 | 0. 37966 | 0.144538 |

Goodness of fit testing is carried out in two ways, namely the coefficient of determination test and the F test. Adjusted $R^2$ = 0.418 is the outcome of the regression model's coefficient of determination test. This demonstrates that the regression model can account for 41.82 % of the ERC, with additional factors not included in the regression model accounting for the remaining 58.18% of the ERC.

Meanwhile, the F test is used to find out whether the regression model is suitable for predicting. The results of the F test show a significance of F of 0.003 < 0.01 so that the regression model meets the goodness of fit requirements and is suitable for use for prediction.

The results of the research regression model hypothesis test appear in Table 2.

**Table 2.** Hypothesis testing

Source: Authors' elaboration.

| Model | Standarized Coefficient Beta | t | Sig. | Conclusion |
|---|---|---|---|---|
| Constant | 0.626 | 2.119 | 0.056 | |
| EP | 14.533 | 2.343 | 0.039 | Accepted |
| DSR | 11.771 | 2.120 | 0.043 | Accepted |
| SRR | 15.289 | 2.626 | 0.032 | Accepted |

Referring to Table 2, the results of multiple linear regression analysis can formulate the following regression equation:

$$ERC = 0.626 + 14.533EP + 11.771DSR + 15.289\ SRR + e. \quad (7)$$

Table 2 shows that earnings persistence (EP) has a positive effect on ERC ($H_1$ is accepted). This finding is in line with Easton and Zmijweski (1989). The more permanent changes in earnings over time, the higher the profit coefficient level or the higher the quality of the profit. This condition shows that the profits obtained by a company are increasing continuously. Disclosure of sustainability reports (DSR) has a positive effect on ERC ($H_2$ is accepted). The wider disclosure of sustainable report (DSR) is proven to be able to respond to investors as seen in the reaction to share price movements, so that it has a positive effect on ERC. The sustainability report rating (SRR) has a positive effect on ERC ($H_3$ is accepted). The sustainability report ranking of Asia Sustainability Reporting Rating participants shows that the quality of the sustainability report is getting better, so it can rank highly, generating investor interest in investment decisions and having a positive impact on the ERC.

# 4. DISCUSION AND POLICY RECOMMENDATIONS

This study proves that company profits have a high level of persistence. This shows that profits are increasingly high quality, namely profits that can show profit continuity, so that earnings persistence tends to be stable from period to period. Stable profits tend to have a positive impact on a company's value relevance. Earnings persistence refers to the extent to which a company's profits from period to period remain consistent or sustainable. So, the higher the persistence of profits, the more relevant it will be to have information capabilities to help investors, creditors, and other users in making predictions about several outcomes from past, present and future events or in confirming or correcting their expectations.

Accounting numbers are said to have value relevance if they have a predictable relationship with the market value of equity. If an accounting number provides information that is important for investors to consider when evaluating a firm and is quantified sufficiently to be reflected in the stock price, it will be relevant and have a substantial (predictable) association with stock prices (Barth et al., 2008). The degree to which accounting earnings are relevant is determined by examining the correlation between profits and the stock return rate of the firm.

The earnings response coefficient (ERC) is a statistic that illustrates the link between profits and stock return levels. The degree of anomalous returns on a security in reaction to a company's reported earnings persistence is measured by the earnings response coefficient (Scott, 2015). According to Ng and Razee (2018), persistent profit is defined as profit that may be used as a long-term predictor of future profits that a firm will make. This shows the profits generated by quality companies. A study by Easton and Zmijweski (1989) demonstrates a favorable relationship between earnings persistence and ERC. Earnings persistent cause ERC to vary between companies (cross sectional), and the ERC of permanent profits is higher than transitory profits (Collins & Kothari, 1989). The degree of earnings predictability and persistence, the correlation of stocks with market returns, the development of the firm, and industry characteristics all affect the earnings response coefficient (Lipe, 1990; Biddle & Seow, 1991). Additionally, Donelly (2002) discovered that earnings persistence increases ERC. The notion that earnings persistence has a favorable impact on value relevance is further supported by Holbrook (2013), Ghosh et al. (2005), Kusuma and Subowo (2018), Yusuf et al. (2019), Suwarno (2019), and Beredugo (2023). In the meanwhile, studies by Wijaya et al. (2019) and Hakim et al. (2022) did not discover any relationship between earnings persistence and ERC.

The outcomes of testing $H_2$ indicated that the relevance of corporate value as measured by ERC was impacted by the disclosure of sustainability reports. This shows that the sustainability program published by a company is proven to reduce negative environmental, social and governance impacts, resulting in the company's reputation or branding becoming better or even increasing. The existence of high corporate awareness of the need to publish sustainability reports that comply with existing regulations will increase employee retention and reduce turnover (and its costs) and ultimately improve company branding. The existence of POJK



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Number 51 of 2017 is considered sufficient to have a strong legal umbrella to take action against companies that do not comply with the implementation of sustainable finance. Consequently, there are advantages to releasing sustainability reports on the internal and external levels. Sustainability reports are crucial from an internal perspective because they enable businesses to assess how their activities affect the economy, society, and environment. Sustainability reports have the potential to improve a company's external communication with stakeholders. Through providing stakeholders with information on an organization's short-, medium-, and long-term project decisions, businesses may have a better understanding of which projects are most likely to benefit financially.

PT Unilever Indonesia, Tbk's sustainability report shows a form of responsibility towards the environment of the surrounding community, a CSR program called the Unilever Indonesia Foundation (YAI) emerged. With three pillars, YAI implements CSR programs, namely, the Pillar of Improving Standards of Living, Environmental Pillar, Pillars of Health, Wellbeing and Nutrition. Bank Mandiri Syariah (BSI) seeks to develop a portfolio of sustainable business activity categories (KKUB) and customer financing through education so that the level of awareness of all stakeholders can increase, thereby supporting the creation of a low-carbon economy.

Bank Central Asia (BCA) is implementing blu development steps and BCA Digital corporate actions that are expected to contribute to providing a sustainable positive impact on society, the environment and the economy in order to achieve sustainable development goals (SDG) in Indonesia. BCA's commitment to sustainable development in the banking industry is also demonstrated through the company's involvement in the pioneering project 'First Step to Implement Sustainable Finance' initiated by the Financial Services Authority (OJK) from the end of 2015 until now. If financial performance goes well and can meet environmental and social performance, it is certain that the company can also overcome these problems. In 2022, PT BCA will report a sustainability report with the idea of "Live to Impact". BCA is inspired to involve all stakeholders to have a positive impact on the environment. BCA implements relentless innovation initiatives to achieve sustainable environmental, social and governance (ESG) aspects. BCA always upholds ESG values to support these achievements, namely the sustainable development goals.

By integrating environmental, social, and governance (LST) factors into growing economic factors, Bank Rakyat Indonesia actively contributes to the realization of sustainable business. BRI is dedicated to implementing a sustainability strategy that complies with Financial Services Authority Regulation No. 51/POJK.03/2017 about the Implementation of Sustainable Finance in Financial Services Institutions, Issuers, and Public Companies. BRI conducts banking activities with a focus on recovering MSMEs as one of the most affected sectors in the middle of a pandemic scenario and in an effort to assist stakeholders in reaching sustainability. By distributing credit and restructuring loans with the MSMEs segment in mind, Bank Rakyat Indonesia is attempting to hasten the pace of the economy's recovery. BRI implements programs from the Sustainable Finance Action Plan while also doing operational tasks in accordance with ESG principles to support sustainable finance. With innovation in the market ecology and digital ecosystem, Bank Rakyat Indonesia is devoted to battling alongside MSMEs. By beginning to calculate Green House Gas (GHG) emissions and carrying out steps to mitigate climate change, BRI aims to promote sustainable development objectives and sustainable business operations in the sustainability report. Through these measures, BRI hopes to strengthen a number of projects and programs that support the SDGs, enabling the country to accomplish all 17 of the SDGs.

Activities carried out by several corporations show good news information as a company effort that investors can respond to, resulting in price changes around the publication date, or in other words, it affects the relevance of company value. These findings are in line to support signal theory and support stakeholder theory. The answer to sustainability reports submitted by ASRRAT-affiliated businesses that are listed on the Indonesia Stock Exchange indicates that the firm can satisfy the requirements of stakeholders, namely investors. The findings of this study support the explanation provided by Hasanzade et al. (2013) that the earnings response coefficient is impacted by the disclosure of sustainability reports. Similarly, in their studies, Felita and Faisal (2021) and Anggraini and Tanjung (2019) found empirical evidence of the impact of sustainability reports on the earning response coefficient.

The results of the $H_3$ test conclude that company ranking influences the relevance of company value as proxied by ERC. This condition shows that there has been a change in the ranking mechanism from 2018 to 2022, which is well informed online on the internet. This change in mechanism is good news because since 2018 all participants will be given a ranking, and it is divided into 4 levels, namely platinum, gold, silver and bronze. Information on ranking changes can be checked in various media and on the official website of the NCSR. In line with what was explained by Akerlof (1970) in signal theory, investors consider this information to contain valuable information that recipients of platinum, gold, silver and bronze ratings have different levels. When a corporation obtains the highest rating, namely platinum, this means that the sustainable report issued by management is considered to be of high quality in accounting for its performance and shows the breadth of information disclosed in the sustainable report, thereby attracting investors' attention. Furthermore, this situation is also supported by assessment criteria for each ranking, as well as being supported by assurers/appraisers who are professional, competent and certified in their field. This makes investors increasingly confident in their response to the corporation's future prospects as an investment option. The higher the rating, the better the sustainable report quality, thereby increasing investor confidence.

These findings support the signal theory that ASRRAT participants' sustainability report ranking is an event that has valuable information content as a good signal (good news) for each company's ranking level. This is because the quality of SR produced by corporations is able to attract investors and increase confidence in investment decisions. The existence of such conditions has an impact on corporate performance and is proven to increase the reflection of share prices so that the relevance of the value proxied by ERC increases. This is similar to the results of the study by Pham et al. (2021) who found a positive influence of sustainable practices on financial performance. Nevertheless, this study's findings contradict those of earlier investigations by Zakaria et al. (2013) and Agustina et al. (2021).

## CONCLUSION

This study intends to investigate how the relevance of company value in the Asia Sustainability Reporting Rating group of companies on the Indonesia Stock Exchange is impacted by financial and non-financial information regarding earnings persistence, sustainability report disclosure, and sustainability report ranking. Based on the research findings, this group of firms' value relevance is significantly enhanced by the disclosure of sustainability reports. This condition shows that the market considers information regarding sustainable business practices and corporate social responsibility to have a significant influence in assessing firm value. The Asia Sustainability Reporting Rating Group corporate value is significantly positively impacted by the rating of sustainability reports. This situation shows that the ranking has value as an independent indicator that influences market perceptions of firm value. The Asia sustainability reporting rating group of firms' value relevance is positively impacted by earnings persistence in a big way. This condition indicates that consistent profits over time are considered to have a higher predictive value in assessing firm value.

The findings of this study provide several practical implications for businesses in Asia. In particular, this study helps managers and company owners in Asia to better understand the importance of social environmental responsibility in industrialization, as this will increase the earnings response coefficient. Social environmental responsibility plays an important role that must be considered during industrialization, this is not only the responsibility of the state but also companies. Besides that, the results of this


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study are also a reference for companies in Asia that must make sustainability reports. The findings of this study indicate that disclosure of sustainability reports has an impact on the value relevance of the Asia Sustainability Reporting Rating group of companies. Management and company owners must be aware of the need to pay attention to long-term sustainability through the publication of sustainability reports. This must be a company's commitment to carrying out sustainability and minimizing risks as a result of company activities related to the economy, social and environmental aspects. The practice of preparing sustainability reports will attract stakeholders in building competitive advantages, strengthening the obligation of all business actors to play an active role in making the Sustainable Development Goals a success.

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