

Do ESG Matter for Investor in ASEAN-5? Evidence from Mining and Property Companies

Ervina Rahmalia Putri¹, Erfan Muhammad^{2*}, Tito IM. Rahman Hakim³,
Frida Fanani Rohma⁴

^{1,2,3,4}Accounting Department, Universitas Trunodjoyo Madura
Jalan Raya Telang PO BOX 2 Kamal, Bangkalan 69162, Indonesia

*Corresponding author; Email: erfan.muhammad@trunojoyo.ac.id

ABSTRACT

ESG disclosures constitute vital non-financial communication channels that potentially influence investor perceptions and capital deployment strategies, consequently affecting firm value. Audit committee oversight within governance architectures is theorized to amplify the value-generating capacity of ESG programs, especially in environmentally impactful industries including mining and property sectors. This study analyzes firms spanning five Southeast Asian markets during 2021-2023. ESG, as a whole, harms firm value across the mining and property sector in ASEAN-5. Audit committee characteristics demonstrate insufficient moderating influence on ESG-firm value relationships. By performing additional tests, environmental and governance indicators exhibit favorable correlations with firm value, whereas social metrics display negligible statistical significance. Empirical findings demonstrate heterogeneous effects for composite ESG and its pillars on firm value. Results indicate that some notions of legitimacy and agency theory are not advocated. Investors need to remain vigilant in digesting ESG information from the mining and property companies in ASEAN-5 countries, as its composite and pillars affect firm value in distinct ways. The government could codify the rule to mandate a sustainability committee to ensure ESG information credibility for all high-risk environmental sectors, especially in ASEAN-5.

Keywords: Firm value; ESG; audit committee; ASEAN-5.

INTRODUCTION

Global warming and climate change have become an essential issue for regulators, companies, and academicians [22]. It is important as investors have shifted their attention to non-financial factors, such as environmental aspects, to assess companies' worth [8], [9], [22], [57], [92], [21], which makes this research crucial. These serve as the impetus for companies to take account of preserving environmental, social, and governance (ESG) to ensure firms' future prospects. ESG is a dominant factor nowadays that determines firm value [10], especially in high-risk environmental sectors. This study seeks to investigate the effect of ESG on firm value with audit committees as moderators in the mining and property sectors in ASEAN-5 countries (Indonesia, Malaysia, Singapore, Thailand, and the Philippines). Several key factors prompt this study. First, contemporary global capital allocation exhibits a pronounced geographic reallocation toward Asian markets, with Southeast Asia emerging as a particularly attractive investment destination [103]. This capital migration reflects an evolving investment paradigm that increasingly evaluates financial returns alongside ESG considerations [52], [104].

Second, mining and property companies are more prevalent in disclosing sustainability information [73], such as ESG. As a sector with high environmental impact, ESG disclosure becomes a paramount tool for mining and property companies to tackle their vulnerability to ecological and social issues [36]. These sectors also demand greater accountability and transparency, particularly regarding the inherent risks posed by the industry's activities, such as environmental degradation and social displacement [31]. Third, ASEAN-5 countries are chosen as the setting for this study, propelled by [16]'s statement that these countries have similarities both in geographical and social context. In the ASEAN domain, these countries are the five largest with flourishing settings for ESG-firm performance literature expansion [58], [90]. In recent years, the ASEAN-5 countries also have faced significant environmental issues due to their status as the fastest-growing economies [16], [58]. Our study departs from prior research that investigates cross-country [9], [14] or single-country [5], [28] by focusing on 5 different countries in an ASEAN setting.

We acknowledge the benefit of cross-country settings, but as [10] states, focusing on limited countries, such as ASEAN-5 countries, will enable us

to provide a unique, different, and rich exploration of the effect of ESG on firm value from the context of countries with globally growing investment opportunities. In the same breath, by analyzing the effect of ESG on value creation of mining and property companies in ASEAN-5, we can enrich ESG literature by examining a growing market with high environmental and social impact, especially in their mining and property sectors. These developments provide the theoretical foundation for examining how ESG disclosure, moderated by audit committee effectiveness, influences firm value. The focus on firm value represents a critical research domain, as it constitutes a fundamental indicator of organizational performance and sustainable competitive advantage, especially for mining and property companies in contemporary capital markets. It also provides insight into the quality and intensity of wise investments [6], [47]. Companies need to pay special attention to firm value because this plays an important role in influencing investor perceptions regarding investment interest.

Market participants progressively depend on integrated sustainability disclosures and comprehensive non-financial reporting frameworks to assess corporate ESG (environmental, social, and governance) performance and societal impact [38], [64], [79], [86]. Empirical evidence from [18] and [41] indicates that effective ESG implementation strengthens firms' competitive differentiation and market positioning. A 2020 CFA Institute survey that revealed 85% of investors take ESG factors into account when choosing investments lends credence to this [39]. In light of this, the question of whether more ESG-reporting firms translate into improved business opportunities in the mining and property sectors in ASEAN-5 is what motivates this study to present further data on ESG disclosure in the region.

Notwithstanding substantial empirical evidence, the literature exhibits persistent inconsistencies regarding ESG's impact on firm value. Several studies conducted in developed economies demonstrate positive associations between ESG disclosure and firm value [10], [28], [62]. Developed countries typically have robust rules regarding ESG issues, enabling ESG reporting to influence investor opinions and enhance company worth. In contrast, other research conducted in developing countries, including [5], [12], [38], [97], [103], demonstrated the absence of a meaningful correlation between ESG disclosure and firm value. Legitimacy theory helps explain how ESG affects firm value. This thesis discusses how companies are motivated to embrace ESG, which will eventually break society's unfavorable stigma toward firms [84]. Corporate ESG reporting serves as a legitimacy-building mechanism among stakeholders, subsequently

contributing to favorable firm valuation effects [26]. The legitimacy theory further indicates that businesses have a social obligation to provide non-financial reporting as a means of legitimacy and as a supportive tool for communication [27], [34].

However, ESG disclosure is sometimes risky and can lead to greenwashing, which is the practice of misleading and hurting the public [101], [109]. Greenwashing is the practice of presenting information intended to deceive the public into believing that the company operates with attention to sustainable practices [82]. Greenwashing can occur due to a lack of defined norms and rules governing ESG reports [57]. Increasing oversight and monitoring of business management can help decrease or even eliminate this greenwashing activity [109]. This remark is consistent with a previous study [70], which employs a monitoring method for greenwashing activities. Therefore, the research adds an audit committee monitoring mechanism as a moderating variable.

Audit committees constitute fundamental governance mechanisms that warrant inclusion as moderating variables given their pivotal role in corporate oversight structures [103]. These committees enhance board effectiveness in supervising reporting quality through improved disclosure practices and reduced information asymmetries between management and external stakeholders [15], [17]. The audit committee serves as the entity that monitors both non-financial and financial reporting [94]. According to research [52], the audit committee should be able to handle matters pertaining to sustainability, risk, and control, which will impact sustainability's credibility. Researchers therefore believe that the audit committee can raise the value of the company through ESG reporting.

The link between ESG and firm value is rather well-maintained in developed countries [10], [28], [62], while it is still ambiguous in developing countries [5], [12], [38], [97], [103]. Investors in developing nations are also quite skeptical and poorly-informed, especially about greenwashing practices performed by mining and property companies that can lead to biased and misleading decisions. Addressing this research void, our investigation seeks to reassess the nexus between ESG disclosure and firm value across five ASEAN economies—Indonesia, Malaysia, Singapore, Thailand, and the Philippines—while incorporating audit committee effectiveness as a moderating mechanism to mitigate greenwashing concerns. [27]'s study employs audit quality as a moderation variable to represent external audits in enhancing ESG undertakings. This study uses the audit committee as the moderator based on [52] to give a new perspective on the internal audit's role in promoting

and safeguarding ESG practices and reporting. Extant research has observed many sectors simultaneously [5], [10], [28], [103], but this study uses a sector-specific focus (mining and property) to offer empirical evidence from companies with a high environmental impact.

Our empirical findings reveal that ESG disclosures impose adverse effects on firm value in mining and property companies in ASEAN-5 countries. Although social performance demonstrates insignificant correlation with firm value, environmental and governance components manifest statistically meaningful impacts, yet audit committee effectiveness does not effectively mediate the ESG-firm value association. These discoveries enhance existing scholarship through multiple pathways. First, we enrich ESG literature by synthesizing legitimacy and agency theoretical frameworks to investigate audit committee moderating functions within ESG-enterprise value dynamics, consequently broadening conceptual comprehension in this scholarly area. Second, our results provide practical guidance for mining and property companies in ASEAN-5 to accommodate investors' needs by providing better assurance tools, such as external audits and sustainability committees seeking to enhance oversight mechanisms and evaluation frameworks in ESG reporting processes. The mining and property companies in Indonesia, Malaysia, Singapore, Thailand, and the Philippines need to provide investors with better ESG disclosure that fulfills specific aspects such as being concise, straightforward, and free from impression management.

Literature Review

Legitimacy Theory

[24] initially proposed the legitimacy theory. According to this notion, management can affect how the public views a business by suggesting that it substantially regulates behaviors that adhere to ethical standards [62], [94], [105]. To receive adequate value from society, businesses must constantly focus on their actions in fulfilling societal standards [23], [46]. This idea encourages businesses to ensure that society perceives their performance as acceptable.

Businesses can begin managing legitimacy by adapting their operations to the societal view, since a deviation from this standard would raise doubts about the legitimacy of the organization and have a detrimental effect on it [62]. By supporting environmental protection efforts, legitimacy theory will foster goodwill between the public and industry [72]. Within the legitimacy theory framework, ESG practices demonstrate corporate alignment with

societal expectations and represent strategic mechanisms for maintaining organizational legitimacy and ensuring long-term viability [23]. ESG disclosure serves as a manifestation of corporate commitment to generating sustainable value creation that benefits broader stakeholder communities [12].

Agency Theory

The original proponent of agency theory was [42]. This idea illustrates how the principal, who is the business's owner, provides the agent—management—the power to run the firm [95], [108]. Agency theory emphasizes the inherent conflict arising from divergent stakeholder interests, requiring cost-based mechanisms to evaluate managerial stewardship and resource optimization capabilities within organizational contexts [105]. This theoretical framework highlights the fundamental tension between management's short-horizon decision-making orientation and shareholders' extended value creation expectations [37]. Within this context, agency theory provides the conceptual foundation for understanding how audit committee oversight serves as a mediating mechanism in the relationship between environmental, social, and governance practices and corporate valuation outcomes [52].

The audit committee plays a crucial role in monitoring the company's adherence to legislation and evaluating the quality of reports for the benefit of shareholders, which is why this theory is employed [94]. According to [52], audit committee independence and expertise are thought to influence corporate value and serve as a unique governance instrument for improving reporting processes and long-term performance. [66] states that to lower agency expenses brought on by the division of ownership and control, principals disclose non-financial elements. Thus, the rising disclosure of non-financial information, including ESG, leads to a high level of acceptability and confidence among principals due to increased open and trusted transparency [81].

Firm Value

Firm value exhibits a direct relationship with organizational worth, reflecting stakeholders' comprehensive evaluation of enterprise performance capabilities [30], [60]. Appreciation in share prices enhances firm value while simultaneously strengthening investor sentiment and market confidence [53], [71], [93]. This dynamic necessitates continuous organizational vigilance regarding valuation metrics and market positioning [83]. From an ownership perspective, firm value represents the enterprise's

demonstrated proficiency in optimizing resource deployment to achieve fundamental objectives of wealth maximization, as evidenced through equity market performance indicators.

ESG

ESG represents a comprehensive framework integrating environmental, social, and governance dimensions as non-financial performance indicators for assessing corporate sustainability and guiding responsible investment practices [62], [65], to support long-lasting value creation [90]. Corporate sustainability is a top priority for ESG [87]. Environmental, social, and governance aspects assess the sustainability of companies and nations [60], [61], [87]. Growing interest from both domestic and foreign investors has contributed to the popularity of ESG reporting in recent years [64]. In the ASEAN-5 context, one study focuses on the E, S, and G pillars on firm performance [58], while [90] examines both the individual and overall scores of ESG disclosure on firm and market performance.

Audit Committee

A crucial part of carrying out sound corporate governance is the audit committee [72]. [77] indicated that in nations with inadequate accounting standards and insufficient legal safeguards for investors, the audit committee's role is essential since it enhances the trustworthiness of the monitoring process. The board of directors establishes audit committees as an oversight mechanism for management decision-making processes [11]. These committees function as governance intermediaries, facilitating communication and accountability between shareholders, the board of directors, and executive management [91]. Audit committees also commit to shifting focus to sustainability by expanding their oversight function in the ESG report construction [3]. [43] adds that audit committees have an essential role as a management control mechanism in observing ESG reporting practices.

However, these functions are quite diverse depending on the organizations and their ESG maturity [85], which eventually determine the ESG assurance level. Most of the firms in developing countries, such as ASEAN-5, are deemed as organizations with low ESG maturity. To tackle this stigma, all firms try to internalize governance mechanisms, such as the number of audit committee meetings, audit committee independence, and expertise to advertise their signals regarding governance quality [43], ESG oversight mechanisms, and greenwashing deterrent tools. However, not all characteristics of the audit committee are considered

effective tools for promoting the credibility of ESG disclosure [43], [84]. The study by [52] advocated that the independence and expertise of the audit committee serve as a sufficient and robust governance mechanism for ESG credibility assurance.

Hypothesis Development

ESG on Firm Value

Theoretically, studies on how ESG affects firm value are grounded in legitimacy theory [24]. According to this theory, management can impact the general public's impression of a firm by hinting that the firm substantially controls acts that are consistent with standards and ethical behavior [62], [94], [105]. This notion motivates businesses to make sure that their performance is deemed acceptable by society since they must constantly focus on their actions in order to achieve societal standards and obtain positive value from society [23].

Legitimacy theory will foster favorable ties between businesses and the general public by boosting environmental preservation initiatives [72]. In legitimacy theory, the ESG context is used to show how a business complies with community standards and makes strategic measures to uphold its legitimacy and guarantee its success [23], especially for high-risk environmental sectors like mining and property. ESG disclosure is a company's commitment to generating long-term profitability for the community [12], [90]. ESG disclosure is a non-financial communication channel that demonstrates the company's accountability based on the results of its operating activities.

Numerous studies have demonstrated how ESG increases firm value. ESG research on firm value was carried out in Egypt by [27], and the results indicated that ESG significantly increased firm value. ESG plays a significant role in raising firm value as measured by Tobin's Q, according to a study [107] carried out in China. However, different research has yielded varied conclusions about the impact of ESG on corporate value. Research [38] conducted in Nigeria demonstrates that ESG has no effect on firm value; the findings of this study are also corroborated by research [50], [76]. The author concluded that ESG increases firm value based on the legitimacy theory viewpoint, which is backed by an extensive amount of data from prior studies.

According to a study done in 22 Asian nations by [62], ESG, Environmental (E), Social (S), and Governance (G) factors individually and significantly increased firm value. E, S, and G factors individually. This indicates that ESG disclosure benefits businesses. Others found contradicting findings pertaining to the effect of the E, S, and G factors

individually [9], [14], [36], [58], [90]. [9]'s study provides empirical evidence of how S and G factors significantly affect firm value for the 5,000 largest companies listed on stock exchanges worldwide from 2013 to 2021. In contrast, their findings failed to prove the significant effect of the E factor on firm value.

The study of [14] examines the banking sector in the European Union regarding the effect of every factor of ESG individually on firm value and found mixed findings on how E, S, and G factors influence firm value. Other studies supply evidence from developed and developing countries pertaining to the effect of E, S, and G factors on market value [36]. The findings show that in developed countries, market value correlates with S disclosure, while in developing countries, market value correlates most with E disclosure. [36] highlights that the quality and quantity of ESG disclosure differ between mining companies in developed and developing countries, with E disclosure being better in developed countries. In sum, every factor of E, S, and G in ESG is expected to have the same effect on firm value. Therefore, the hypothesis proposed in the present study is as follows:

H₁: ESG has a positive impact on firm value.

Moderating Effect of Audit Committee on ESG and Firm Value

Theoretically, the audit committee's moderating role on ESG and firm value can be explained by the agency theory put forward by [42]. This theory illustrates how the principal, who owns the business, gives the agent, or management, the power to run it [95], [108]. The organization incurs agency costs in the form of an audit committee acting as a mediator between management and business owners because agents act opportunistically by taking advantage of information asymmetry for their benefit [26], [75].

Audit committees function as essential governance mechanisms that support board-level oversight of corporate reporting standards and disclosure quality [15], [52]. By providing independent monitoring capabilities, these committees strengthen stakeholder trust in the credibility and impartiality of corporate communications [13]. Contemporary audit committee mandates extend beyond traditional financial oversight to encompass comprehensive supervision of non-financial reporting, particularly ESG disclosure practices. Due to the phenomenon of greenwashing in sustainable reporting (ESG) [109], this supervision mechanism is crucial in the business sector.

Greenwashing is a conduct where firms feign ignorance on environmental endeavors but still try to look beneficial in stakeholders' eyes by pretending

to commit to green initiatives [110]. [110] also highlights how this unethical practice can both undermine ESG credibility and stakeholders' trust. Audit committees play a role as intermediaries between ESG and greenwashing by giving reasonable assurance that ESG information published by companies is free or has a minimum degree of greenwashing [84], [110]. However, this role is quite diverse among firms, as sustainability is a multifaceted concept with heterogeneous focus and objectives [68], [85]. That is to say, the degree of assurance provided by the audit committee also depends on the characteristics of the firm and audit committee.

We hypothesize that audit committee independence and expertise are necessary to intercede in greenwashing practices in ESG disclosure. An independent audit committee can be employed to prevent information asymmetry and in turn will enhance ESG quality and transparency [43]. [43] further clarify how audit committee expertise amplifies ESG oversight by accelerating information flow and diminishing the agency's problem. Audit committee independence and expertise are propelling the endeavour to ESG assurance by signaling reliable oversight for externalities [52]. The expertise and independence traits of the audit committee may act as essential corporate mechanisms to boost ESG oversight [43], [52].

The establishment of a sustainability committee is another aspect that influences the audit committee's level of assurance. As a voluntary board governance structure [49], the sustainability committee, a subcommittee of the board of directors, is responsible for the company's sustainability plans and practices [2]. To formalize their dedication to social and environmental performance, several companies have formed a board sustainability committee [25]. As overseers of sustainability practices, particularly with regard to ESG disclosure, sustainability committees virtually take the position of audit committees in many companies with sizable boards and strong liquidity. When environmental and social efforts are motivated by greenwashing, the establishment of a sustainability committee misleads investors into rewarding corporations unfairly with increased liquidity [70]. However, the presence of audit committees—particularly their independence and expertise—remains a crucial requirement for a successful campaign for improved sustainability performance and disclosure [52].

Research demonstrates that audit committee independence and expertise, functioning as distinctive governance mechanisms for improving disclosure practices and sustainability performance, significantly influence corporate valuation [52]. Drawing upon the

agency theory framework, we examine the moderating effect of audit committee characteristics on the ESG-firm value relationship. This study applies agency theory to assess how audit committee oversight mechanisms mediate the association between ESG implementation and corporate value creation. As a supervisor, the audit committee is responsible for avoiding manipulation, decreasing information asymmetry, and increasing governance, social, and environmental disclosures that firm corporate value [32], [33].

Numerous studies [7], [33], [52], [94] have investigated the audit committee as a moderating variable. The author was prompted to develop a non-directional hypothesis since the audit committee is still scarcely examined as a moderating variable to connect nonfinancial reports to firm value, as one example is [43], [52]. This study posits the following hypothesis based on the findings of prior research:

H2. The audit committee moderates the relationship between ESG and firm value.

RESEARCH METHOD

Our empirical investigation adopts a quantitative approach, selecting 96 firms from mining and property development sectors through purposive sampling across the ASEAN-5 region, encompassing Indonesia, Malaysia, Singapore, Thailand, and the Philippines. These five ASEAN countries were selected based on research the research of [16] for several reasons: (1) Having geographical similarities and social contexts; (2) While ASEAN economies have demonstrated robust economic expansion in recent periods, they continue to exhibit developmental gaps relative to advanced nations, with this economic acceleration concurrently generating adverse environmental externalities; (3) ASEAN has an important role in future energy demand; and (4) The important reason for the eleven ASEAN countries is that these five countries have higher economic growth values than other countries.

Table 1. Sample Selection

Sampling Criteria	Total
Mining and real estate industry firms in five ASEAN nations from 2021 to 2023	758
Companies not granted an ESG Disclosure Score by Bloomberg	(659)
Firms with unavailable annual disclosure documents throughout the designated study timeframe	(1)
Companies that IPO before December 2020	(2)
Sample of mining and property (real estate) sector companies per year	96
Total sample of companies used in the study (96x3)	288

These industry segments were chosen based on their considerable environmental implications and pronounced vulnerability to evolving regulatory frameworks [35]. Mining firms are more likely to harm the environment and lead to social unrest between the firm and the community [4], [31], [36]. Meanwhile, real estate firms were selected due to their extensive bribery and governance breach [20]. Bloomberg, OSIRIS, and each company's annual report provided the data. Table 1 demonstrates the use of purposive sampling in the sample screening process.

Measurement

The study's model is made up of multiple variables. The empirical model employs ESG disclosure as the explanatory variable, with audit committee characteristics serving as the interaction variable, operationalized through the independent audit committee and the audit committee's expertise. Firm value, captured via Tobin's Q ratio, constitutes the outcome variable. The analytical framework incorporates five control parameters—return on assets, return on equity, debt-to-equity ratio, organizational scale, and expansion rate—to mitigate potential confounding effects. Panel data estimation utilizes the random effects specification through Stata 14 statistical package.

Firm Value

The Tobin's Q ratio, originally developed by [19], serves as a valuation metric that quantifies corporate worth through market-based assessment. This indicator evaluates whether equity securities trade above or below fundamental value by comparing market capitalization to replacement cost of assets [9].

$$\frac{\text{Equity Market Value} + \text{Liability Market Value}}{\text{Total Asset Replacement Value}}$$

ESG

Bloomberg's scoring system is used for ESG measurement. Three components make up Bloomberg's ESG score disclosure: discrete environmental, social, and governance metrics together with an integrated ESG composite measure, expressed through a normalized scale extending from 0 to 100. The range of values is from 0 (which indicates that firms reveal minimum ESG activities) to 100 (which indicates that companies completely disclose ESG practices). Bloomberg's ESG scores have been used in earlier research [1], [61], [102], [106].

Audit Committee

Audit committees are measured using proxies for independence (Ind) and expertise (Exp). In order to minimize conflicts of interest and optimize the value of the company, independence is measured by the ratio of independent audit committee [44]. The audit committee expertise variable (audit comexp) employs dichotomous coding based on compositional requirements mandating both a minimum threshold of three committee participants and the presence of at least one member with demonstrated financial proficiency [52].

Control Variable

Our empirical model controls for various firm-specific attributes, including profitability, leverage, firm size, ROE, and growth, which prior literature identifies as determinants of corporate value. The description and measurement method of the control variables are as in Table 2.

Table 2. Control Variables Measurement

ROA	$\frac{Net\ Income}{Total\ Assets}$	[38], [88]
DER	$\frac{Total\ Liability}{Total\ Assets}$	[27], [51]
Firm Size	Ln Total Assets	[38], [88]
ROE	$\frac{Net\ Income}{Stakeholders\ Equity}$	[62], [27]
Growth	$\frac{Total\ Assets\ (t) - Total\ Assets\ (t-1)}{Total\ Assets\ (t-1)}$	[62]

This research investigates the influence of ESG disclosure on firm value, incorporating audit committee independence and professional expertise as moderating factors. The analytical framework encompasses multiple control variables, including return on assets (ROA), return on equity (ROE), debt-to-equity ratio (DER), organizational scale, and corporate expansion rates. The empirical model employed for hypothesis validation is articulated through two models: the first for capturing the direct effect and the second for the moderation effect, with the subsequent equation:

Model 1:

$$TobinsQ_{i,t} = \alpha + \beta_1 ESG_{i,t} + \beta_2 Ind_{i,t} + \beta_3 Exp_{i,t} + \beta_4 ROA_{i,t} + \beta_5 ROE_{i,t} + \beta_6 DER_{i,t} + \beta_7 FirmSize_{i,t} + \beta_8 Growth_{i,t} \epsilon$$

Model 2:

$$TobinsQ_{i,t} = \alpha + \beta_1 ESG_{i,t} + \beta_2 ESG*Ind_{i,t} + \beta_3 ESG*Exp_{i,t} + \beta_4 ROA_{i,t} + \beta_5 ROE_{i,t} + \beta_6 DER_{i,t} + \beta_7 FirmSize_{i,t} + \beta_8 Growth_{i,t} + \epsilon$$

Where:

- TobinsQ_{i,t} = Firm Value of firm *i* in year *t*
- ESG_{i,t} = ESG Score of firm *i* in year *t*
- Ind_{i,t} = Audit Committee Independence of firm *i* in year *t*
- Exp_{i,t} = Audit Committee Expertise of firm *i* in year *t*
- ESG*Ind_{i,t} = Interaction between ESG Score and Audit Committee Independence of firm *i* in year *t*
- ESG*Exp_{i,t} = Interaction between ESG Score and Audit Committee Expertise of firm *i* in year *t*
- ROA_{i,t} = Return on Asset of firm *i* in year *t*
- ROE_{i,t} = Return on Equity of firm *i* in year *t*
- DER_{i,t} = Debt to Equity Ratio of firm *i* in year *t*
- FirmSize_{i,t} = Firm Size of firm *i* in year *t*
- Growth_{i,t} = Company Growth of firm *i* in year *t*

Our empirical strategy leverages panel regression analysis implemented through STATA 14 statistical software, employing quantitative analytical frameworks. This methodological approach accommodates the multidimensional nature of our data structure, which encompasses both cross-sectional firm variations and longitudinal temporal dynamics [40]. We run several tests before testing out hypotheses. First, we choose the most suitable panel data regression estimation model. The Chow, Hausman, and Lagrange multiplier tests are utilized to select the fixed effect model (FEM), random effect model (REM), or common effect model. After running the test, it is concluded that the best panel estimation model is REM. Second, the classical assumption test is performed to test whether our regression model is BLUE (Best Linear Unbiased Estimator) or not. The last step is a hypothesis test to conclude the acceptance or rejection of a hypothesis.

RESULTS AND DISCUSSION

Descriptive statistics for our sample comprising 288 firm-year observations across 96 entities are summarized in Table 3, encompassing central tendency measures, dispersion indicators, and distributional extremes. Our primary dependent measure, Tobin's Q ratio, demonstrates a central tendency of 0.510 with variability captured by a standard deviation of 0.451. During the 2021

examination period, the distributional range spans from Bakrieland Dev (ELTY), recording the minimum value of 0.019, to Merdeka Copper G (MDKA), achieving the maximum observation of 4.884. This empirical evidence indicates that mining and property firms within the five-nation ASEAN demonstrate market capitalizations that are lower than their corresponding book valuations. This might suggest poor management or undervaluation.

Table 3 provides further insights into the ESG scores, revealing an average of 51.366 (SD = 10.223). Our analysis reveals that participating companies achieved ESG disclosure compliance beyond the median threshold of required indicators. Among the three ESG dimensions, the social aspect exhibits the lowest mean value of 34.54, while the environmental aspect has a mean of 39.65. In stark contrast, governance-related disclosures demonstrate the most comprehensive reporting quality, registering a mean value of 79.79. Such outcomes reveal that governance considerations command greater attention in ESG communications compared to their environmental and social counterparts.

The sample companies exhibit mean ROA and ROE values of 3.97 and 7.99, respectively, indicating their ability to generate profits of 3.97% from total assets and 7.99% from equity. The DER ranges from -5.37 to 205.04, with a mean of 1.76, suggesting that mining and property companies in ASEAN-5 countries rely more on debt financing than equity, with a debt-to-equity ratio of 1.76:1. The average firm size of 13.85 and a growth rate of 0.04 imply a modest growth rate in the mining and property sector across the ASEAN 5 region.

Table 3. Descriptive Statistical Analysis

Variable	Mean	Max	Min	Median	Std. Dev
TobinsQ	0.51	4.88	0.02	0.41	0.45
ESG	51.36	77.53	20.54	50.82	10.22
Ind	0.91	1.00	0.33	1.00	0.17
Exp	0.99	1.00	0.00	1.00	0.10
ROA	3.97	55.73	-46.73	3.50	6.62
ROE	7.99	223.34	-200.8	7.00	20.49
DER	1.77	205.05	-5.37	0.83	12.06
Firm Size	13.86	16.59	10.32	13.86	1.19
Growth	0.04	2.03	-0.31	0.02	0.18

Source: Stata Output Result (2024)

Table 4 shows the results of the multicollinearity test. Table 4 indicates that no variables exhibit multicollinearity. The empirical results displayed in Table 5 demonstrate the statistical validation of our proposed hypotheses, delineating those relationships that receive empirical support versus those that do not. Our analysis reveals that ESG exerts a statistically significant adverse influence on firm value at the 5% significance

threshold ($\beta = -0.014$, p -value = 0.003), consequently necessitating the rejection of H1. This outcome implies that capital market participants maintain a skeptical stance toward ESG disclosure practices.

Table 4. Multicollinearity Test Results

Variable	Model 1		Model 2	
	VIF	Tolerance	VIF	Tolerance
ESG	1.04	0.962	1.41	0.712
Ind	1.02	0.983		
Exp	-	-		
ESG*Ind			1.31	0.762
ESG*Exp			1.50	0.666
ROA	1.99	0.503	1.84	0.543
ROE	2.18	0.460	2.01	0.497
DER	1.76	0.567	1.41	0.710
Firm Size	1.67	0.598	1.21	0.828
Growth	1.19	0.842	1.19	0.837

Source: Stata Output Result (2024)

Table 5. Hypothesis Test

	Model 1		Model 2	
	Coef	p> z	Coef	p> z
ESG	-0.014	0.003	-0.036	0.349
Ind	0.12	0.684		
Exp	0	-		
	(Omitted)			
ESG*Ind			0.030	0.696
ESG*Exp			0.920	0.585
ROA	0.015	0.001	0.015	0.001
ROE	0.001	0.303	0.001	0.304
DER	0.004	0.049	0.004	0.049
Firm Size	-0.001	0.000	-0.001	0.000
Growth	-0.083	0.432	-0.083	0.430

Source: Stata Output Result (2024)

Audit committee governance mechanisms fail to significantly moderate the ESG-firm value relationship, resulting in H2 hypothesis rejection. The audit committee is measured via two constructs: board independence and technical expertise. Independence metrics within audit committee composition demonstrate positive but non-significant parameter estimates ($\beta = 0.030$, p -value = 0.696), and expertise also yields an insignificant coefficient ($\beta = 0.920$, p -value = 0.585). These findings suggest that, from the perspective of investors in ASEAN-5 countries, the audit committee is not a sufficiently robust mechanism to combat greenwashing practices.

The control variables yield mixed results, with only ROA, DER, and Firm Size being of primary concern to investors. ROA ($\beta = 0.015$, $p = 0.001$) and DER ($\beta = 0.004$, $p = 0.049$) demonstrate a statistically significant positive association with firm value ($\beta = 0.015$, $p = 0.001$), whereas firm size exhibits a significant yet inverse relationship with firm value ($\beta = -0.001$, $p < 0.000$). ROE fails to establish a meaningful connection with firm value, evidenced by its coefficient of 0.001 and non-significant p -value of

0.303. Growth similarly lacks statistical significance in explaining firm value, registering p-values of 0.432. These empirical results indicate that market participants predominantly evaluate enterprises based on their asset utilization efficiency, financial leverage, and organizational magnitude measured through logarithmic total asset transformation. Larger corporate entities typically demonstrate diminished expansion prospects, consequently yielding an adverse influence of organizational scale on market valuation.

We also run additional tests to confirm the analytical rigor of the adverse effects of composite ESG on firm value by testing the E, S, and G pillars. Table 6 denotes the absence of a multicollinearity problem detected in our model even after examining the E, S, and G pillars individually. Our findings from additional tests mostly have different directions while still being significant with the main test. Investor sentiment reveals positive associations with environmental and governance pillars of ESG reporting, contrasting with ambivalent attitudes toward social dimensions. This divergent pattern may arise from gaps between proclaimed social responsibility commitments and substantive organizational practices.

Table 6. Additional Test

	VIF	Tolerance	Coef	p> z
Env	1.76	0.567	0.006	0.003
Soc	2.13	0.468	-0.005	0.164
Gov	1.29	0.774	0.011	0.002
Ind	1.13	0.883	0.045	0.824
Exp	1.82	0.549	0.143	0.726
ROA	2.34	0.427	0.018	0.000
ROE	2.20	0.455	0.001	0.522
DER	1.79	0.559	0.004	0.088
Firm Size	1.23	0.815	-0.105	0.001
Growth	1.20	0.833	-0.186	0.072

Source: Stata Output Result (2024)

Empirical findings from additional tests demonstrate a significant positive association between environmental performance and corporate valuation following statistical analysis. Consequently, proposing that enhanced environmental performance contributes to firm value appreciation. This conclusion lends credence to legitimacy theory and the research performed by [27], [62], [99], [108] but rejects [9], [59].

Following additional testing, the study's findings revealed that social performance had no significant effect on firm value. Accordingly, this result is consistent with [23], [59], [74], [78], but it is inconsistent with legitimacy theory and the study of [9], [27], and [99]. Investors may question companies' commitment to the social aspect, suspecting greenwashing practices, particularly in developing

countries with weak legal systems and law enforcement [103]. Consequently, increased social disclosure fails to enhance firm value.

This finding demonstrates that the company's adherence to reporting social factors is still quite low. [69] points out that information about social aspects such as charity and social funding activities that are disclosed openly does not bring good legitimacy to the company because society considers social performance disclosure to be less interesting compared to ESG and environmental aspects, especially in this study, which uses mining and property companies as objects.

Governance performance positively influences company value. This finding supports the legitimacy theory and the research conducted by [9], [27], [54], and [62]; however, this finding contradicts the studies of [51], [74], and [78]. Our empirical evidence presents a departure from [78]'s conclusions, as governance performance exhibits negligible impact on corporate valuation in our analysis. These discordant findings can be attributed to several methodological distinctions: heterogeneous data sources (Bloomberg contrasted with Thomson Reuters), divergent firm characteristics, and the temporal context wherein corporate governance frameworks have attained considerable sophistication across the examined ASEAN jurisdictions. Concurrently, our findings stand in opposition to the research outcomes documented by [51], [63], and [74].

The Effect of ESG on Firm Value

Empirical analysis reveals that ESG disclosure exerts a significantly adverse influence on firm value. Consequently, the evidence does not support our initial proposition (H1) positing a beneficial relationship between ESG and firm value. This result validates studies [12], [80], [97], [103], [108]. This result contradicts the legitimacy theory and the research conducted by [10], [27], [62], [67], [79].

Our findings challenge the legitimacy theory proposition whereby organizational commitment to ESG transparency should augment enterprise value via non-financial information dissemination mechanisms that change stakeholder investment perspectives [79], [94]. The adverse findings suggest that market participants predominantly view sustainability-oriented investments as protracted endeavors characterized by suboptimal resource deployment, potentially undermining equity market valuations [12]. These results align with [56], who argues that investors divest certain investment positions that diminish corporate worth due to expectations that near-term ESG commitments may yield adverse outcomes. The negative association

between ESG and firm value observed in this investigation across five ASEAN economies corroborates these concerns. Evidence from [96] demonstrates that capital market participants in emerging economies, especially in Asia, exhibit limited comprehension and sophistication regarding sustainability-focused investment strategies [98]. Due to the absence of stringent laws and guidelines governing ESG reporting in developing nations, investors in these nations also view ESG reporting as a costly and harmful burden [12], [108].

Within our research framework, the limited organizational participation rates and scoring mechanisms emerge as contributing factors to the predominantly adverse empirical findings [97], reinforcing ESG's substantive negative impact. Among 758 enterprises across mining and property sectors within the five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, and Philippines), merely 96 entities obtained Bloomberg sustainability assessments. The suboptimal ESG disclosure metrics reflect insufficient adherence to environmental, social, and governance disclosure protocols among corporations in these Southeast Asian markets. This corroborates the study of [103], which found ESG had a detrimental impact on firm value and was carried out in eight ASEAN nations.

These results align with established research [80], demonstrating that market participants perceive ESG initiatives as diverging from corporations' fundamental wealth maximization mandate, consequently exhibiting stronger receptivity toward value-enhancing information relative to non-financial disclosures that typically impose substantial resource commitments potentially detrimental to shareholder returns [89]. Consistent with prior empirical evidence, sustainability-oriented activities necessitate significant capital allocation, thereby diminishing investment attractiveness and subsequently contracting market appetite [97]. This dynamic ultimately manifests in equity valuation deterioration, reflecting the corresponding erosion in enterprise market capitalization." The outcomes of this analysis contradict research [27] that claims ESG has a strong beneficial effect on firm value. The difference in this study is because the object of the company used as a sample is all companies listed on the Egyptian stock exchange; the context of Egypt, which is a developing country, is considered stronger and complies with sustainable reporting regulations. These findings also contradict previous studies [10], [62].

Other factors that cause negative effects of ESG disclosure on company value in the mining and property sectors in ASEAN-5 are investor perception and complexity of ESG reports. The study of [98] explains that Eastern investors are more likely to

have a negative perception of ESG investments due to the somewhat delayed adoption of sustainability concepts. [21]'s findings also confirm that in Asia, ESG disclosure negatively impacts firm value. It means that investors in Asia, and especially in emerging countries, are quite skeptical of ESG practices. [21] also argues that ESG is complex and needs to be made as a stand-alone report. It is due to the intricate nature of ESG, which requires extensive collaboration and integration of people and systems [68]. The existence of impression management in ESG reporting further exacerbates this problem by presenting elaborate yet tricky narratives [45]. ESG reports are already difficult to understand, and lengthy narratives only add to the investor's confusion. So, the more information that is disclosed by a company in an ESG report, the more adverse the impact on the firm's value will be.

Audit Committee Moderates the Relationship between ESG and Firm Value

Our empirical findings reveal that the audit committee exhibits a statistically insignificant negative moderating influence on the ESG-firm value nexus. Consequently, we reject H2, which posited that audit committee characteristics would enhance the ESG-firm value association. These results align with the empirical evidence documented in prior literature [15], [29], and [67]. Conversely, our findings contradict the theoretical predictions of agency theory and diverge from the conclusions reported in [7], [32]. Given that our analysis demonstrates the independence and expertise of the audit committee's inability to strengthen the value relevance of ESG disclosures, our evidence fails to corroborate the fundamental tenets of the agency theoretical framework. According to [52], the audit committee should be able to support the growth in corporate value through sustainable reporting and performance practices (ESG) as a special governance tool. This conclusion stems from the firm's external circumstances, which include shifting market conditions, consumer demands, and governmental restrictions, which frequently have a greater impact on the relationship between ESG and corporate value than the audit committee's function [67].

When measured through audit committee independence and expertise, these oversight bodies fail to reinforce the association between firm value and ESG. This phenomenon may stem from regulatory compliance with Sarbanes-Oxley mandates, which stipulate compositional requirements of three committee members minimum with at least one designated financial specialist, potentially constraining the committee's strategic influence [52]. This

requirement refers to the effectiveness of the business's supervisory role in assuring the reliability of the company's report; nevertheless, it does not imply that every company with an audit committee that is an expert in its field will enhance the disclosure of ESG report performance [55]. Additional obstacles to the audit committee's inefficiency in moderating the relationship between ESG and firm value include the audit committee's ignorance of important ESG features in developing nations and variations in interpretation among audit committees [64], especially in high-environmental-risk sectors, such as mining and property.

This finding contradicts the findings of [52], which show that audit committees strengthen the relationship between ESG and firm value. This is a result of the study's [52] disparate research objects, which used 12 nations with a higher percentage of developed than developing nations. Additionally, as evidenced by the data, cultural variety among nations affects audit committees' ability to moderate the relationship between corporate value and ESG. This finding also contradicts the studies of [7] and [32].

To guarantee that their function in corporate governance can function as best it can, firms must emphasize the significance of enhancing the efficacy of audit committees through increased competence, independence, and more sufficient regulatory assistance. Audit committees sometimes fail to effectively enhance the relationship between the company's financial performance and ESG disclosure [15], [29]. Additionally, investors are deterred from investing in businesses whose actions could negatively damage the value of the company due to greenwashing practices. Other relevant reasons as to why the independence and expertise of the audit committee fail to moderate ESG disclosure-firm value dynamics in the mining and property sectors of ASEAN-5 countries are (1) ESG level maturity and (2) the existence of a sustainability committee.

[21]'s study provides evidence on how ESG disclosure positively affects firm value in the energy sector. When [21] performs additional tests based on geographical region (North America, Europe, and Asia), intriguing findings show that only Asia has a negative and significant effect regarding the ESG disclosure-firm value nexus. Investors' perception in Eastern countries, which are in Asia, is proven to be skeptical, perceiving ESG practices as fruitless, which makes ESG awareness in Asian countries not well-matured [98]. [85] also highlights that in low ESG maturity companies with prominent audit committees, internal audit's role is mainly limited to internal control. As a result, there is limited scope for how audit committee independence and expertise

can stir ESG assurance and oversight. This is often the case in developing countries where the assurance role of internal audit is still in its infancy. It makes the assurance practices just a façade of compliance with laws [85], not for the betterment of environmental and sustainability endeavors. As a consequence, the independence and expertise of the audit committee will fail to strengthen ESG practice to advance firm value. Investors believed that audit committee independence and expertise were not the best attributes to support ESG assurance and oversight [43]. Therefore, these governance measures fall short of investor expectations.

The role of the audit committee is also threatened by the emergence of sustainability committees in ESG and other sustainability practices. For the last few years, the existence of the sustainability committee has become a pivotal topic, particularly in the sustainability domain. There are so many merits that can be attained by forming a sustainability committee, such as higher quality ESG disclosure [48], better leveraging drivers of sustainability-related innovations [2], and effective monitoring and reporting of ESG initiatives [100]. [98] stated that, despite the high expenditures associated with sustainability committees, market investors appreciate their independence and expertise. Therefore, the audit committee role, proxied by independence and expertise, loses its standing as a sustainability overseer in a company.

CONCLUSION

This research aims to furnish empirical evidence regarding ESG influences on firm value and examine how audit committee characteristics (independence and expertise) moderate these associations. Our findings reveal that ESG disclosure generates a substantially detrimental effect on firm value for mining and property sectors in ASEAN-5. Audit committee presence fails to strengthen the nexus between ESG and corporate valuation outcomes. Corporate valuation benefits positively from environmental and governance mechanisms. Conversely, social performance demonstrates no discernible influence on enterprise worth.

This study tries to extend the legitimacy and agency theory application by examining the internal audit function on the relationship between non-financial reporting (ESG) and firm value. Investors in ASEAN-5 nations take governance performance into account while ruling out the environmental and social aspects. However, the audit committee's independence and expertise have not been shown to substantially strengthen the impact of ESG on firm value. We have selected our sample from the mining and property sectors in four developing countries

and one developed country within an Asian context. Comparing the same number of developing and developed countries will open a new avenue for ESG-firm value literature. The insignificance of the moderating role of audit committee independence and expertise highlights the shift of ESG oversight to the sustainability committee instead of the audit committee.

Investors in ASEAN-5 countries, particularly those investing in the mining and property sectors, perceive ESG investment and practices as merely "walking the talk" and costly. Additionally, they struggle to understand and comprehend the information presented in ESG disclosures. Consequently, mining and property companies from ASEAN-5 must implement more robust mechanisms, such as external audits, to assure stakeholders that their ESG disclosures are not simply for the sake of formality. Companies also feel compelled to generate more succinct and straightforward ESG reports in order to guarantee that the information supplied is acceptable and clear to investors. They could also consider modifying the supervision structure for sustainability committees to give more confidence for their ESG objectives and practices. By assigning some of the board members to the sustainability committee, the company can reduce impression management in the ESG report, better align stakeholder interests regarding ESG initiatives, and produce ESG disclosures that have a greater impact on the company's value creation.

Due to the limited number of samples, we should interpret this study cautiously. Firstly, not all companies are assigned ESG scores by Bloomberg. This relatively limited sample size is primarily because many companies keep ESG components private and do not publish ESG reports; hence, Bloomberg does not provide scoring. Further research can use other alternative ESG performance disclosure databases that are more comprehensive, such as Refinitiv Eikon. Secondly, contrary to the initial assumption, our model is subject to the multicollinearity problem for ESG disclosure. It is inevitable as we test both the composite and individual items of ESG disclosure. A suggestion for further research is to reconsider the model that includes composite ESG disclosure as well as individual E, S, and G factors in a single specification; this risks multicollinearity because aggregate ESG is a function of the factors, which is assumed to artificially reverse the sign of the "total ESG" coefficient to negative.

The last limitation of this study is the absence of additional analysis to account for inter-country differences within the ASEAN-5 due to disproportionate sample sizes across countries and sectors. The inclusion of one developed country and four

developing countries in our sample also renders our findings inconclusive. Attempts to investigate the inter-country effect were hindered by the aforementioned disproportion, resulting in insufficient and unsatisfactory results from our statistical tools. To provide more profound insights into inter-country or inter-sector analysis, future research should employ proportional samples when examining multi-country data.

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