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ASEAN Corporate Governance Scorecard: Sustainability Reporting and Firm Value

Wahidatul HUSNAINI¹, Basuki BASUKI²

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Abstract

This study aims to test empirically whether the ASEAN Corporate Governance Scorecard (ACGS) has a positive effect on Sustainability Reporting (SR) and whether the ACGS and Sustainability Reporting (SR) have a positive effect on Firm Value (FV). The study was conducted in five ASEAN countries - Indonesia, Malaysia, Singapore, Philippines, and Thailand from 2014 - 2017. The research sample was collected from companies with the ACGS data and obtained with the help of 359 company observations. Hypothesis testing was performed using the Ordinary Least Square (OLS). The results of the study do not support all hypotheses. The ACGS has no effect on sustainability reporting. The ACGS has a significant negative effect on firm value, while sustainability reporting has a negative and insignificant effect on firm value. The ACGS and sustainability reporting are not good news for investors. This research's limitation is that companies rarely disclose the final value of the ACGS in their annual reports, so this research uses content analysis. The weakness of content analysis is the researchers' subjectivity so that the point of view between researchers is different. Besides, sustainability reporting for several ASEAN countries is voluntary, so not all companies can be sampled, which ultimately affects interpretation.

Keywords: Corporate Governance, Corporate Governance Scorecard, Sustainability Reporting, Firm Value

JEL Classification Code: G32, G34, Q56

1. Introduction

Sustainability reporting has significant developments among researchers, investors, and the public because it is considered an important business strategy (Amran & Haniffa, 2011; Diouf & Boiral, 2017; Hahn & Kühnen, 2013; Jo & Harjoto, 2011; Lioui & Sharma, 2012; Muttakin et al., 2018; Wilmshurst & Frostr, 2000). Companies are required to be more transparent so that communication with diverse stakeholders can increase (Al Farooque & Ahlu, 2017; Berthelot et al., 2012; Kuzey & Uyar, 2017; Loh

et al., 2017). Stakeholder theory explains that a company is obliged to a group of people who influence and are influenced by the company's activities. One way to fulfill these obligations is by voluntary disclosures outside of the mandatory disclosures to fulfill the company's obligations to all stakeholders (Freeman, 1984). Sustainability reporting is a way to reduce information asymmetry between companies and investors (Gavana et al., 2017), reduce conflicts with shareholders (Becchetti et al., 2012; Harjoto & Jo, 2011), and as a way for companies to promote corporate governance. Effective business sustainability by encouraging accountability and transparency. (Jo & Harjoto, 2011).

The influence of corporate social responsibility and corporate governance on firm value increases among shareholders, practitioners, and regulators (Jo & Harjoto, 2011). Sustainability disclosure is very much determined by corporate governance (Harjoto & Jo, 2011; Kend, 2015; Kolk & Pinkse, 2010). Even the corporate governance structure plays an active role in determining social and ecological problems as a company management plan and as a solution to environmental challenges and changes (Masud et al., 2018). It is effective as a legal mechanism to protect and improve relations between outside investors/minority

¹First Author and Corresponding Author. [1] Doctoral Program, Faculty of Economics and Business, Airlangga University, Surabaya, Indonesia [2] Lecturer, Faculty of Economics and Business, Mataram University, Indonesia [Postal Address: Jl. Airlangga No.4, Airlangga, Kec. Gubeng, Surabaya, East Java, 60286, Indonesia] Email: wahidatul.husnaini-2018@feb.unair.ac.id

²Professor in Accounting, Faculty of Economics and Business, Airlangga University, Surabaya, Indonesia. Email: basuki@feb.unair.ac.id

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shareholders of the majority shareholders and company management (Adel et al., 2019; Jo & Harjoto, 2011; La Porta et al., 2000; Michelon & Parbonetti, 2012; Naciti, 2019). In addition, corporate governance plays an important role in ensuring that legalization has been implemented by companies through disclosure of social responsibility (Khan et al., 2013; Michelon, 2011).

The effect of corporate governance on the disclosure of sustainability reports and firm value and the effect of sustainability reporting on firm value show mixed results. Haat et al., (2008) revealed that corporate governance mechanisms do not affect corporate disclosure or market performance. Corporate governance mechanisms do not guarantee that companies are more transparent by disclosing more information and transparency is not the market's main concern in assessing firm performance. This is in contrast to the findings of (Al Farooque & Ahlu, 2017; Hussain et al., 2018; Jo & Harjoto, 2011; Mahmood et al., 2018) who stated that the corporate governance component increases the disclosure of sustainability reports and that more effective corporate governance causes companies to issue more to stakeholders. When corporate governance is broken down into a mechanism, it shows two opposing directions, when the proportion of internal shareholders is the greater, the higher the disclosing environmental performance, but, conversely, when the portion of independent directors is greater it causes sustainability disclosure to decline. (Crifo et al., 2018).

The relationship between corporate governance and firm value is very important in formulating efficient company management and public policy rules. (Feng Kao et al., 2019). Internal corporate governance mechanisms play an important role in monitoring and reducing agency problems between managers and shareholders (Ahmadi et al., 2018; Drakos & Bekiris, 2010) and ultimately improving the firm performance (Ahmadi et al., 2018; Dahya et al., 2016; Jo & Harjoto, 2011; Setia-Atmaja et al., 2009). Good corporate governance shows responsibility to the community and environmental protection is a major concern for the company to improve operational performance, market value, and firm value. (Costa et al., 2015; Harjoto & Jo, 2011; Jo & Harjoto, 2011; Kuzey & Uyar, 2017; Loh et al., 2017; Lukas & Basuki, 2015; Price & Sun, 2017). Corporate governance indicators such as board size and independent board show different results. Board size is negatively related to ROA, but not significant with ROE, whereas independent board does not show a relationship with firm performance (Zabri et al., 2015). When corporate governance is measured using a positive corporate governance aggregate index, it does not significantly explain ROA (Mardnly et al., 2018).

Disclosure of sustainability reports such as ESG provides a positive signal to stakeholders regarding the company's future growth and financial position (Arayssi et al., 2016;

Bachoo et al., 2013). Environmental and social responsibility increases Tobin's Q of the company. (Machmuddah, et al., 2020; Wahba, 2008). According to Wang (2016), environmental information has an effect on firm value and investors are willing to pay a premium price of 20% or more for companies with good corporate governance. The higher quality of sustainability reporting causes increased performance, profit, company reputation, shareholder value, and firm value. (Bachoo et al., 2013; Becchetti et al., 2012; Choi et al., 2010; Dembo, 2017; Harjoto & Jo, 2011; Laskar & Maji, 2016; Lourenço & Branco, 2013; Lourenço et al., 2012; Mishra & Suar, 2010; Odriozola & Baraibar-Diez, 2017; Orlitzky et al., 2003; Pérez et al., 2017; Yang et al., 2019). In research conducted by Laskar (2018) in Asia, both developed countries such as Japan and South Korea and developing countries such as Indonesia and India, with disclosure levels of sustainability reporting above 70%, show significant performance. The opposite direction is shown by (Brammer et al., 2006; Crisostomo et al., 2011; Lioui & Sharma, 2012), that environmental corporate social responsibility (ECSR) reduces firm performance, both ROA and Tobin's Q. because investors perceive environmental disclosures as costs and penalties. However, other studies (Karaman et al., 2018; Michelon, 2011; Sroufe & Gopalakrishna-Remani, 2018) found that sustainability reports do not play a role in improving firm performance in terms of both profitability and market return. Interestingly, Barnett & Salomon (2006) show that the relationship between financial and social performance is not entirely negative or very positive. The negative relationship is because social activities are detrimental to financial performance due to limited funds to invest in CSR activities, while in the positive relationship, CSR activities are company responsibility to shareholders, thereby investing in CSR.

Based on the results of previous studies showing various effects, this study aims to examine the effect of the ACGS on sustainability reporting and to examine the effect of the ACGS and sustainability reporting on firm value. The difference between this study and previous research is that the use of the sustainability reporting variable only focuses on the disclosure of ESG (economic, environmental, social, and governance), GRI-G3 (Al Farooque & Ahlu, 2017; Diouf & Boiral, 2017; Frias-Aceituno et al., 2014; Legendre & Coderre, 2013) while the current research uses all components of the GRI-G4, as many as 148 items, consisting of general standards and special standards. This is also consistent with the suggestion Diouf & Boiral (2017) to use GRI-G4 as the latest measurement. Hussain et al., (2018) suggest using other components of corporate governance so that this study uses the ACGS.

The ACGS is a corporate governance measurement introduced for ASEAN countries, which aims to improve

the standards and practices of corporate governance of companies going public in ASEAN and create greater international visibility for such companies to be managed properly by referring to international practices that lead to sustainability and as a competitive tool to attract foreign investment (The ASEAN Secretariat, 2019). Hypothesis testing is carried out in two stages, testing the effect of the ACGS with sustainability reporting and testing the effect of the ACGS and sustainability reporting on firm value.

2. Literature Review and Hypotheses Development

Corporate governance can minimize agency problems due to information asymmetry between management and shareholders (Bonazzi & Islam, 2007; Naciti, 2019). Corporate governance elements help management monitor, control, and promote sustainability reporting. (Masud et al., 2018). The strength of the components and structure of corporate governance increases the disclosure of sustainability reports to stakeholders (Al Farooque & Ahlu, 2017; Hussain et al., 2018; Jo & Harjoto, 2011; Kend, 2015; Mahmood et al., 2018). It is made clear by Petcharat & Zaman (2019) and Abdelfattah & Aboud (2020) that voluntary disclosure such as the practice of sustainability reporting represents good corporate governance. The better the corporate governance, the better the voluntary disclosure, and based on this explanation, the research hypothesis is:

H₁: The ACGS has a positive effect on sustainability reporting

Good corporate governance reduces information asymmetry between management and shareholders. (Ahmadi et al., 2018; Drakos & Bekiris, 2010; Gherghina, 2015; Kanagaretnam et al., 2007). Corporate governance has a role to ensure that the company has implemented legalization with disclosure of social responsibility (Khan et al., 2013; Michelon, 2011). Good corporate governance is a guarantee for investors to obtain an adequate return on their investment (Shleifer & Vishny, 1997). Corporate governance aims to ensure that managers act in the interests of shareholders by forcing managers to disclose more information. The more information is disclosed, the less the agency problem that the firm value is getting higher (Siagian et al., 2013). Companies with good corporate governance practices are reflected in high market value, increased operational performance, market value, and firm value (Ammann et al., 2011; Broadstock et al., 2019; Costa et al., 2015; Harjoto & Jo, 2011; Ionescu, 2012; Jo & Harjoto, 2011; Kuzey & Uyar, 2017; Loh et al., 2017; Price & Sun, 2017; Sumani & Roziq, 2020). Based on this explanation, the research hypothesis is:

H₂: The ACGS has a positive effect on firm value

Signaling theory deals with the information released by companies affecting investors' decisions. Social responsibility policies and practices as well as sustainability reporting are a way for companies to provide positive signals to investors, thereby increasing their performance and reputation. (Michelon, 2011; Mishra & Suar, 2010). Information asymmetry that occurs between management and outside parties can be reduced by providing more information beyond the information required by the authorized institution. Sustainability reports are sources of information that reduce information asymmetry to increase firm credibility. (Ekasari et al., 2018). CSR activities reduce conflicts between top management and various stakeholders which ultimately increases firm value (Jo & Harjoto, 2011).

The practice of corporate responsibility to stakeholders is beneficial and provides benefits for the company to improve financial and non-financial performance (Mishra & Suar, 2010). Companies with better voluntary disclosure will have a good image, ultimately improve firm performance (Adel et al., 2019), have greater stock returns, in other words, increasing value (Abdelfattah & Aboud, 2020).

The awareness of developed countries such as Japan and South Korea about sustainability is becoming higher because it is supported by the availability of resources such that it affects the increase in firm value. Overall, both developed and developing countries in Asia show an increase in firm value due to sustainability (Faisal et al., 2020; Laskar, 2018; Laskar & Maji, 2018). Conditions in Nigeria indicate the same thing, that better sustainability practices can improve firm performance (Dembo, 2017). Based on this explanation, the research hypothesis is:

H₃: Sustainability reporting has a positive effect on firm value

3. Research Methods

3.1. Data Collection Procedure

The research was conducted in five ASEAN countries, Indonesia, Malaysia, Singapore, Philippines, and Thailand from 2014 - 2017. The population of this study was all companies in five ASEAN countries that published the ACGS information; as many as 494 companies: Indonesia 153, Malaysia 96, Singapore 133, Philippines 70, and Thailand 42. The research samples were all companies that had the ACGS data and published sustainability reporting. Based on these criteria, a total of 359 companies were observed: Indonesia 102 samples, Philippines 51 samples, Singapore 97 samples, Malaysia 79 samples, and Thailand 30 samples.

3.2. Variables and Measurements

The research variables consist of ASEAN Corporate Governance Scorecard, sustainability reporting, firm value and two control variables, namely, firm size, and firm age. The measurement of each variable is explained in Table 1 below:

Larger companies are more vulnerable and with high political pressure, need to disclose more information about social products and CSR with the aim of reducing high agency costs (Adel et al., 2019; Dremptic et al., 2019; Karaman et al., 2018; Kuzey & Uyar, 2017; Wahba, 2008). Large companies have the ability to implement operations more effectively resulting in superior performance and profitability than small companies (Majumdar, 1997). Large companies have more opportunities to make profits because they are able to diversify products and find it easier to obtain capital from the market, which, in turn, increases the firm value. (Laskar, 2018; Laskar & Maji, 2018).

Company age affects the evolution of an industry such as the evolution toward a green industry. Mature companies will quickly change according to environmental changes that affect firm performance (Coad et al., 2018). Company age increases productivity. Companies that are more mature are more productive than companies that are newly established (Majumdar, 1997).

3.3. Model Analysis

Hypothesis testing uses 2 analysis models, namely the ACGS effect hypothesis with sustainability reporting (model 1)

and the effect of the ACGS and sustainability reporting on firm value (model 2). Model 1 is tested using simple regression, model 2 uses multiple regression.

$$SR_{it} = \alpha_0 + \alpha_1 ACGS_{it} + e \tag{1}$$

$$FV_{it+1} = \alpha_0 + \alpha_1 ACGS_{it} + \alpha_2 SR_{it} + \alpha_3 Size_{it} + \alpha_4 FA + e \tag{2}$$

Where: ACGS: ASEAN Corporate governance Scorecard; SR: Sustainability Reporting; FV: Firm value; Size: Company size; FA: Firm age; α : Regression coefficient; e: error term.

4. Results and Discussion

4.1. Descriptive Statistics

Table 2 describes the descriptive statistics of each variable, namely ASEAN Corporate Governance Scorecards (ACGS), sustainability reporting (SR), firm size (size) dan firm age (FA) by country.

According to Table 2, corporate governance as measured using the ACGS shows that the highest average is Malaysia 108, Singapore 103, Philippines 99, Thailand 97 and the lowest is Indonesia with 81. A higher ACGS score indicates that the awareness of corporate governance using international practice-based rules leads to higher sustainability.

Table 1: Variables and Measurements

Variables	Measurements
Firm Value (FV)	Measurement using Tobin's Q (Chung & Pruitt, 1994): $\text{Approximate } q = \frac{(MVE + PS + Debt)}{TA}$ MVE = Market Value of Equity; PS = Liquidation value of preferred shares; Debt = Total Debt; TA = Book value of total assets
ASEAN Corporate Governance Scorecard (ACGS)	Corporate governance of the company uses the ASEAN measurement, namely the total final score level 1 and level 2. If there is no final score, the measurement uses content analysis based on the ACGS item.
Sustainability Reporting (SR)	Measurement using content analysis based on GRI G4 global reporting (https://www.globalreporting.org) as many as 148 disclosure items. $GRI\ G4j = \frac{\sum X}{Nj}$ GRI G4 = GRI 4 Disclosure Index; X _i = Number of items disclosed by the company; N _j = Number of disclosure items according to G4 (148 items)
Firm Size (Size)	Firm size is measured using the natural logarithm of total assets. Firm size increases voluntary corporate disclosure.
Firm Age (FA)	The age of the company since being listed on the Stock Exchange is measured using the logarithm of the company's age.

Table 2: Descriptive Statistics as Per Country

Country	Variable	ACGS	SR	Size	FA	TQ
Indonesia	N	102	102	102	102	102
	Mean	81.026	0.5336	13.926	1.115	1.316
Singapore	N	97	97	97	97	97
	Mean	103.463	0.632	9.844	1.389	2.276
Malaysia	N	79	79	79	79	79
	Mean	108.345	0.433	10.534	1.381	2.192
Philippines	N	51	51	51	51	51
	Mean	99.029	0.594	11.908	1.482	1.270
Thailand	N	30	30	30	30	30
	Mean	97.735	0.588	12.063	1.248	2.101
Total	N	359	359	359	359	359
	Mean	97.053	0.551	11.634	1.311	1.827

Table 3: Simple Regression Results Effect of ACGS on SR

Country	β	F-value	p-value
Indonesia	-0.061	1.865	0.175
Singapore	0.119	0.434	0.512
Malaysia	0.932***	10.560	0.002
Philippines	-0.561***	12.984	0.001
Thailand	-0.770***	22.994	0.000

Note: *** indicates 1% level of significance.

The highest sustainability reporting average was Singapore 63%, Philippines 59.4%, Thailand 58%, Indonesia 53%, and the lowest was Malaysia with 43%. The higher the percentage of sustainability reporting, the higher the concern for the environment, society, and sustainability.

Firm value is an investor's assessment of the company's performance. The highest average was Singapore 2,276, Malaysia 2,192, Thailand 2,101, Indonesia 1,316, and the lowest was the Philippines at 1,270. A higher firm value means greater investors' trust in the companies.

4.2. The Influence of the ACGS on Sustainability Reporting

Testing the effect of the ACGS on sustainability reporting for five ASEAN countries using simple regression (model 1). The results of model 1 are shown in Table 3.

4.2.1. The Influence of the ACGS on Sustainability Reporting in Indonesia

The results of Table 3 show that the effect of the ACGS on sustainability reporting in Indonesia is negative and insignificant. Corporate governance as measured using the

ACGS reduces sustainability reporting. This condition is due to the relatively new implementation of the ACGS and it is voluntary, as such companies that disclose sustainability reporting are still minimal in Indonesia. In addition, corporate governance in Indonesia is very weak (Claessens et al., 2002), which affects the weakness of investor protection that in turn, affects sustainability disclosure.

4.2.2. The Influence of the ACGS on Sustainability Reporting in Singapore

The effect of the ACGS on sustainability reporting in Singapore in Table 3 shows positive insignificance. The positive direction shows that corporate governance as measured using the ACGS improves sustainability reporting. It is not significant because the ACGS was revised in 2016 for the purpose of increasing the company's score by using the principles of corporate governance of the G20 / OECD as the main benchmark. This condition is possible to influence sustainability reporting. Sustainability reporting has been mandatory in Singapore since 2017, but due to data limitations, it is not significant. According to Loh et al., (2017), public companies in Singapore do not disclose much sustainability reporting; only about a third of all listed companies.

4.2.3. The Influence of the ACGS on Sustainability Reporting in Malaysia

The effect of the ACGS on sustainability reporting in Malaysia in Table 3 shows a positive significance at a 1% level. This condition shows that corporate governance as measured using the ACGS improves sustainability reporting. The better the corporate governance, the higher the sustainability reporting because of the demands of various stakeholders. These results support the stakeholder theory that companies have an obligation to groups that influence and are influenced by company activities so that one way to fulfill these obligations is through disclosure, namely sustainability reporting (Freeman, 1984).

4.2.4. The Influence of the ACGS on Sustainability Reporting in the Philippines

Table 3 shows that the effect of the ACGS on sustainability reporting in the Philippines has negative significance at a 1% level. This condition shows that corporate governance as measured using ACGS reduces sustainability reporting. The ACGS is a corporate governance measurement that has been adjusted to international regulations, which leads to sustainability and is more transparent, thereby reducing sustainability reporting. The ACGS has undergone many improvements and follows international rules and transparency. The more transparent the company, the less disclosure of sustainability reports.

4.2.5. The Influence of the ACGS on Sustainability Reporting in Thailand

The effect of ACGS on sustainability reporting in Thailand in Table 3 shows negative significance at a 1% level. Corporate governance as measured using the ACGS reduces sustainability reporting. The ACGS is a corporate governance measurement that has been adjusted to international regulations, which leads to sustainability and is more transparent, thereby reducing sustainability reporting. The ACGS contains the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders' disclosure and transparency, and responsibilities of the board. The condition with Indonesia is the same as in Thailand, that corporate governance is relatively weak (Claessens et al., 2002) which affects the lack of protection for minority investors and other stakeholders so that it affects sustainability reporting, namely the lack of sustainability reporting.

4.3. The Effect of the ACGS and Sustainability Reporting on the Firm Value

Table 4 presents the results of the multiple regression result effect of the ACGS, sustainability reporting on firm value of each ASEAN country.

4.3.1. The Influence of the ACGS and Sustainability Reporting on the Firm Value in Indonesia

Table 4 shows that the effect of ACGS on firm value in Indonesia is significantly negative at the 5% level. The new corporate governance rules reduce firm value because not all ACGS components are fulfilled, especially those related to stakeholders, so investors react negatively. The effect of sustainability reporting on firm value is negative and insignificant. It is not significant because sustainability reports in Indonesia are relatively rarely disclosed because they are voluntary. This result is supported by (Network, 2018) that disclosure of sustainability reporting in Indonesia is the lowest among the four other ASEAN countries. This condition indicates weak corporate governance and minimal sustainability reporting reduces firm value.

4.3.2. The Effect of the ACGS and Sustainability Reporting on the Firm Value in Singapore

Table 4 shows the effect of ACGS on firm value in Singapore which is positive and significant at a 5% level. Corporate governance as measured using ACGS increases firm value. The new corporate governance regulation using the ACGS is good news for investors because it is more transparent. In 2016, Singapore made improvements to the ACGS rules for the purpose of increasing the corporate governance score of its companies by using the principles of corporate governance of the G20 / OECD. These improvements increase investor confidence, thereby increasing the firm value. The effect of sustainability reporting on the firm value shows a negative but insignificant direction. Sustainability reporting in Singapore is mandatory, as such, it does not affect investors' assessments and even tends to reduce firm value. Investors adopt the information disclosed by companies other than those that are required to provide more useful information to make decisions; even more mandatory information will confuse investors, thereby reducing firm value.

4.3.3. The Effect of the ACGS and Sustainability Reporting on the Firm Value in Malaysia

The effect of ACGS on firm value in Malaysia in Table 4 shows to be significantly positive at a 10% level. Corporate governance as measured using ACGS increases firm value. Corporate governance using ACGS shows that the company has implemented good corporate governance and has followed more transparent international rules such that investors will react positively, thereby increasing firm value. The variety of investors in Malaysia causes companies to implement good corporate governance as a way to protect investors. The effect of sustainability reporting on firm

value is not significant. Sustainability reporting in Malaysia has been mandatory since 2016. Investors will react to voluntary information disclosed by the company. Mandatory information is not good news for investors so it does not affect firm value.

4.3.4. The Effect of the ACGS and Sustainability Reporting on the Firm Value in the Philippines

Table 4 shows the effect of the ACGS on firm value in the Philippines and is significant at a 5% level. Corporate governance as measured using the ACGS increases firm value. The new rules for corporate governance using the ACGS are good news for major investors because they are more transparent and prioritize the rights and obligations of investors and stakeholders, thereby increasing firm value. This is supported by the majority of share ownership in the Philippines which is about 34% institutional investors (Claessens et al., 2002) so that companies must improve corporate governance as a basis for investor protection, especially institutional investors. GCG shows that transparency has gone well and it affects investors' assessment of the company, namely an increase in firm value. The effect of sustainability reporting on firm value shows negative significance at a 1% level. Sustainability

reporting is considered a cost and penalty by investors, thereby reducing firm value.

4.3.5. The Effect of the ACGS and Sustainability Reporting on the Firm Value in Thailand

The effect of the ACGS and sustainability reporting on firm value in Thailand in Table 4 shows positive insignificance. Corporate governance as measured using the ACGS and sustainability reporting increases firm value. It is insignificant because the sample company data in Thailand are very minimal. Only a few companies implement the ACGS even though the level of sustainability reporting in Thailand ranks third, the highest of the five ASEAN countries, namely 60% (Network, 2018) it affects the results of the research.

4.4. The Relative Effect of the ACGS on Sustainability Reporting

The effect of the ACGS on the sustainability reporting of all ASEAN countries is tested using simple regression (equation 1) and the effect of the ACGS and sustainability reporting on firm value of all ASEAN countries is tested using multiple regression (equation 2) as shown in Table 5.

Table 4: Multiple Regression Results Effect of ACGS, SR on FV

Country	β		F-value	p-value	R ²
	ACGS	SR			
Indonesia	-0.543**	-0.082	6.323	0.00	20.7%
Singapore	5.116***	-0.268	16.919	0.000	42.4%
Malaysia	6.572*	1.458	82.245	0.000	81.6%
Philippines	1.331**	-1.987***	72.543	0.000	86.3%
Thailand	1.806	1.135	2.525	0.066	28.8%

Note: ***, ** and * indicates 1%, 5% and 10% level of significance.

Table 5: The relative effect of ACGS, SR on FV

Var.	Constant Eq 1	Constant Eq 2	β			
			ACGS	SR	Size	FA
Eq. 1	0.888	-	-0.074	-	-	-
Eq. 2	-	11.922	-0.794*	-0.640	-0.478***	-0.435
Eq. 1	R ² = 10.4%		F-value = 3.901		p-value = 0.049	
Eq. 2	R ² = 41.6%		F-value = 18.536		p-value = 0.000	

Notes: ***, ** and * indicates 1%, 5% and 10% level of significance.

Table 5 (equation 1) shows that the ACGS has a negative but insignificant effect on sustainability reporting. This result does not support hypothesis 1. Agency problem occurs because management has more information than shareholders, as such management is required to be transparent by disclosing more information, especially voluntary information. The new corporate governance regulation using the ACGS aims to increase transparency by providing information related to all components of corporate governance, but emphasizes the rights and obligations of all parties, especially shareholders and ACGS is directed toward sustainability so that management is not required to disclose more sustainability information. These results support the research of Haat et al., (2008) that corporate governance mechanisms do not guarantee a more transparent company by disclosing more information and transparency is not the market's main concern in assessing firm performance. This is contradictory to research (Al Farooque & Ahulu, 2017; Hussain et al., 2018; Jo & Harjoto, 2011; Mahmood et al., 2018) that the corporate governance component increases the disclosure of sustainability reports, the more effective the corporate governance causes companies to issue more information to stakeholders.

The results are not in accordance with the hypothesis due to the limited sample because the ACGS is not disclosed in the financial statements, annual reports or the company website as such it is difficult to trace them. In addition, not all companies have a sustainability report because it is not mandatory, even though Malaysia required this in 2016 and Singapore in 2017; however, the data on the website of each company is not available.

4.5. The Relative Influence of the ACGS and Sustainability Reporting on the Firm Value

Table 5 (equation 2) shows that the effect of the ACGS on the firm value for all countries shows a significant negative effect at the 10% level. The new corporate governance rule, the ACGS, reduces the firm value. This result does not support hypothesis 2 and does not support signaling theory; corporate governance rules that have been adjusted to international regulations and are more transparent, are not good news for investors because not all the ACGS components are fulfilled, especially those related to shareholders and stakeholders, as such investors react negatively. The results of this research contradict the research of Ammann et al., (2011) that companies with better corporate governance practices cause high market value.

The effect of sustainability reporting on the firm value is negative but not significant. These results do not support hypothesis 3: sustainability reporting reduces the firm value. According to Javeed and Lefen (2019), investors think that

sustainability reporting only increases costs if the company's goals are for charity, or supporting social development programs, thereby reducing profitability, which ultimately reduces the firm value. It is not significant because the sustainability reports in the sample ASEAN countries are still limited even though Malaysia has made it mandatory since 2016 and Singapore in 2017. The results do not support the research (Abdelfattah & Aboud, 2020; Adel et al., 2019; Laskar, 2018; Laskar & Maji, 2018; Michelon, 2011; Mishra & Suar, 2010) that companies with better voluntary disclosure, such as sustainability reports, increase their reputation, the credibility of financial and non-financial performance, have a better image, both from the public and in having a greater stock return.

The firm size has a significant negative effect on the firm value at a 1% level. The firm size reduces firm value; large companies are not guaranteed to increase the firm value. Assets not efficiently used to generate sales will reduce investor judgment. This result contradicts the research of Laskar (2018) and Laskar & Maji (2018) which reveals that large companies are more likely to gain profits because they are able to diversify products and find it easier to obtain capital from the market, which, in turn, increases the firm value.

The firm age is negative and not significant to the firm value. Mature companies do not only focus on firm value but tend to maintain the sustainability of the company by using their assets to increase productivity and invest in innovation due to large number of competing companies. This result contradicts research by Coad et al., (2018) and Majumdar, (1997) which says that the mature companies will quickly change following environmental factors which affect the performance of companies therefore the companies that are more mature are more productive than the newly established companies

5. Conclusions

The ASEAN Corporate Governance Scorecard is a new corporate governance measurement for ASEAN countries with international standards as a form of transparency to major shareholders and other stakeholders. The ACGS minimizes information asymmetry between the company and stakeholders such that it affects the sustainability of the report and the firm value. The results showed that ACGS had no effect on sustainability reporting. These results do not support the research of (Al Farooque & Ahulu, 2017; Hussain et al., 2018; Jo & Harjoto, 2011; Mahmood et al., 2018). The inconsistent results of the study was caused by the five ASEAN countries that were not consistently implementing the ACGS as a measure of corporate governance in a way that it had no effect on sustainability reporting. The effect of the ACGS on the firm value shows negative significance

at the 10% level. The results of this research contradict the research of Ammann et al. (2011) which states that companies with good corporate governance increase the market value. The ACGS is not good news for investors. The ACGS component has not been transparent regarding shareholders and stakeholders, so investors react negatively.

The effect of sustainability reporting on the firm value is negative but not significant. These results do not support the research of (Abdelfattah & Aboud, 2020; Adel et al., 2019; Ekasari et al., 2018; Laskar, 2018; Laskar & Maji, 2018; Michelon, 2011; Mishra & Suar, 2010). The inconsistency with previous research is due to the fact that sustainability reporting is not the only factor that affects the firm value and sustainability reporting in ASEAN countries is voluntary as such many companies have not disclosed, which ultimately affects firm value, even though Malaysia has required it since 2016 and Singapore in 2017. Overall, the research results do not support agency theory. Information asymmetry between management and stakeholders can be minimized with transparency through corporate governance and disclosure of more information through sustainability reporting.

The ACGS measurement and sustainability reporting mostly use content analysis due to the limited ACGS data and company sustainability reporting in annual reports and other reliable sources. Content analysis causes the justification of each researcher to be different. Future research can use a questionnaire addressed to each company management. Future research can also compare the influence of companies that use the ACGS and non ACGS on sustainability reporting and firm value and compare countries that require sustainability reporting and countries whose implementation is voluntary.

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