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The Effect of ESG Controversy on Firm Value in Southeast Asia with Analyst Coverage As A Moderating Variable

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ABSTRACT
This study examines the impact of ESG (Environmental, Social, and Governance) controversies on firm value in Southeast Asia, with analyst coverage as a moderating variable. Using 1,255 observations from non-financial public companies listed on Southeast Asian stock exchanges during 2019–2023, the study employs quantitative methods with data from Refinitiv Eikon. Results show that ESG controversies negatively and significantly affect firm value, as measured by Tobin's Q and Market Capitalization. Companies involved in ESG controversies experience reduced market value. Analyst coverage does not significantly moderate this relationship, although during the COVID-19 pandemic, it better mitigated the negative impact on Tobin's Q, likely due to heightened investor demand for strategic information. Findings indicate that investor sensitivity to analyst coverage varies with firm value metrics. Investors are encouraged to critically assess companies' ESG reports and not solely depend on analyst recommendations, especially amid ESG controversies.

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INTRODUCTION

Firm value is often a key focus for stakeholders, including investors, managers and regulators. High value reflects a company's prospects for sustainability, financial stability and competitiveness in the marketplace (Ukoh et al., 2024). In an increasingly global context, investors no longer only pay attention to financial performance, but also pay attention to sustainability aspects reflected in the implementation of Environmental, Social, and Governance (Pierce, 2024; Yong, 2023).

The PWC report (2023) states that 75% of global investors have integrated ESG factors in their investment decision-making. This confirms that ESG is no longer an option but a strategic necessity that can affect a company's value. Southeast Asia is a region with a dynamic economic population and rapid growth rates. Countries such as Indonesia, Malaysia, Singapore and Thailand have attracted the attention of global investors due to their huge economic growth potential and industrial diversity.

Investor interest in ESG-based investments in Southeast Asia has been steadily increasing in recent years (Wilson, 2022; Yong, 2023)A key driving factor is the growing awareness of the importance of sustainability and social responsibility in business. An Accenture survey (2022) shows around 70% of wealthy investors in Asia have or plan to invest in ESG in the next 12 months, with the highest demand coming from Southeast Asia and India (70-82% Thailand leads with 82%, followed by Indonesia (8% and India (77%) (see figure 1). Investors see ESG no only as an ethical strategy, but also an investmen opportunity that delivers positive economic, socia and environmental impacts, reflecting the shi towards sustainable investing for long-term value.

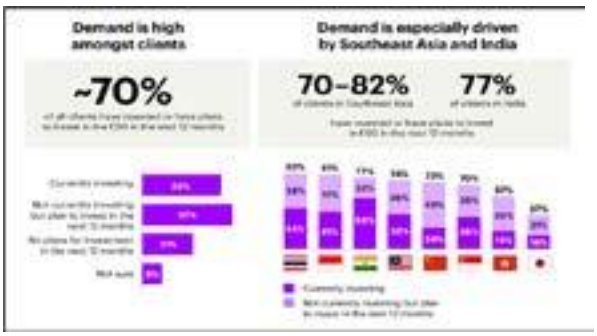

Figure 1. ESG investment among wealthy investors in Asia by 2022

Sumber : Accenture's Asia Affiuent Investor Survey, Q1 2022 dalam Wilson (2022)

As ESG-based investments increase, companies become more aware of environmental, social, and governance issues, but vulnerability to controversy also increases (Al-Hiyari et al., 2023). ESG controversies, such as labor rights violations, environmental scandals, or governance manipulations, may cause investors to lose trust in the company. Faure et al. (2024) note that the impact of ESG controversies is not only felt on a company's reputation, but also on its share price and ability to attract long-term investment. Thus, it is important to identify and manage ESG risks that may affect firm value.

Figure 2 illustrates the ESG risk scores in the Southeast Asian region in 2022. The data shows that Indonesia has the highest score of 45, indicating the greatest vulnerability to ESG risks compared to other countries in the region. Vietnam, the Philippines, Malaysia and Thailand also have scores that exceed the global average (40.5), signaling that these countries face serious challenges in managing ESG issues. Only Singapore recorded a score below the global average (39.2), reflecting relatively better management of ESG risks. These scores highlight the need for greater attention to ESG risks in Southeast Asia to mitigate the negative impact on firm value. This proves that as corporate awareness of ESG implementation increases, so do the risks that come with it.

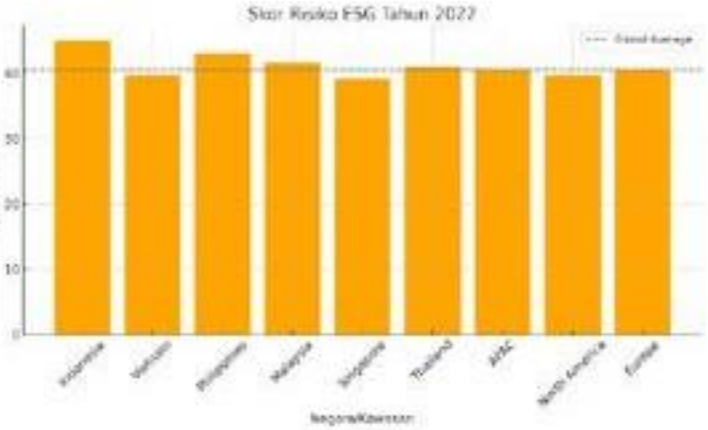

Figure 2. ESG risk score in 2022

Source: Sustainalytics, MIBG Research (2022)

Companies with high ESG risk scores tend to be more prone to being involved in ESG controversies, such as human rights violations, environmental damage, or unethical business practices (S. P. Lee & Isa, 2024). Therefore, research into the controversy aspect of ESG is becoming increasingly crucial,

especially in the Southeast Asian region which is experiencing rapid growth in the application of ESG principles. Unfortunately, there is limited research on the relationship between ESG controversies in the Southeast Asian region. In fact, a deeper understanding of the impact of ESG controversies on corporate performance is crucial for investors, regulators and other stakeholders to make better decisions.

Firm value is often measured through various metrics such as stock price, market capitalization, or Tobin's Q. One of the external factors that can affect firm value is controversy in the ESG aspect. Previous studies such as Ali et al., (2024), Anita et al., (2023), Banjade (2024), de Abreu Passos & de Campos-Rasera (2024), Elamer & Boulhaga (2024), Faure et al., (2024), Fernandes et al., (2024) dan Soschinski et al., (2024) show that ESG controversies can have a significant negative impact on firm value because ESG controversies can damage the company's reputation, reduce investor confidence, and increase the cost of capital. This is in line with the opinion that firm value reflects not only financial performance, but also investors' perceptions of corporate social responsibility (Sutrisno et al., 2024). Thus, companies that are able to demonstrate a commitment to sustainability practices can increase their attractiveness in the eyes of investors, which in turn can increase their market value (Nopriyanto, 2024).

Research on the impact of ESG controversies on firm value has produced mixed and often contradictory findings. Studies from Aouadi & Marsat (2018) dan Melinda & Wardhani (2020) show a positive relationship between ESG controversies and firm value. This is interesting because it goes against the initial intuition that controversy will always have a negative impact. The research argues that ESG controversies can be a positive signal for investors. Companies that are open and transparent in the face of controversy demonstrate a commitment to good corporate governance and accountability.

Based on the explanation above, this study makes a significant contribution by filling the literature void regarding the role of analyst coverage in moderating the impact of ESG controversy on firm value, especially in the Southeast Asia region. Most of the previous literature focuses more on the direct relationship between ESG controversies and firm value, while the role of analyst coverage as a conduit of information that can reduce the negative effects of ESG controversies has not been widely discussed. Therefore, this study presents a new perspective that is important to understand in the context of emerging markets that have more attention to sustainability issues.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The first theory used in this study is the Legitimacy Theory. Legitimacy theory is a concept that explains how companies seek to gain and maintain legitimacy in the eyes of society and stakeholders. This theory focuses on the interaction between companies and their social environment, where companies seek to demonstrate that their operations and policies are in accordance with the prevailing norms and values in society (Deegan, 2019) In this context, disclosure of information regarding environmental, social, and governance (ESG) performance is important, as it can help companies build a good reputation and gain support from stakeholders (J. Kim et al., 2024; Meng et al., 2023).

The second theory is signal theory Signaling theory explains how companies provide information to investors and external parties about the condition and prospects of the company. This theory arises because of the information asymmetry between firms and outsiders, where firms have more information about operations and future prospects than investors and creditors (Spence, 1973b) Therefore, companies have an incentive to signal through financial reports and other actions to reduce this information asymmetry (Bergh et al., 2014)

Signaling theory can also explain how ESG (environmental, social and governance) controversies affect firm value. When companies are involved in ESG controversies, this information may be perceived as a negative signal indicating that the company is not meeting expected standards. Investors who receive this signal may respond with a decrease in trust and a decrease in company value (Serafeim, 2020).

h1 = ESG controversy has a negative and significant effect on firm value

h2 = Analyst coverage positively and significantly moderates the effect of ESG controversy on firm value.

RESEARCH METHODS

This research design includes explanatory research withaquantitativeapproach, which is research

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designed to ensure one or more variables explain the cause or effect of one or more dependent variables (Schindler, 2019) This study was conducted with the aim of identifying the effect of ESG controversy on firm value, as well as examining the moderating effect of analyst coverage on the relationship between ESG controversy and firm value.

The selection was based on several criteria, such as having consecutive ESG controversy scores by Refinitiv Eikon during the 2019-2023 period, as well as data completeness related to total assets, analyst coverage, IPO date, market capitalization, and total revenue. This screening aims to ensure that only companies with relevant and sufficient data are included in the research analysis. After all criteria were applied, the final number of samples that met the criteria was 251 companies with a total of 1,255 observations over the 5-year research period.

Tabel 1 Purposive Sampling Criteria

Criteria	Numbers of Sample
All non-financial public companies listed on the respective stock exchanges of Southeast Asian member countries based on Datastream Refinitiv Eikon	5626
Minus :	
Companies that do not have an ESG controversy score by Refinitiv Eikon	4886
Companies with no consecutive ESG controversy scores 2019-2023 by Refinitiv Eikon	474
Companies that do not have complete data on analyst coverage by Refinitiv Eikon	10
Companies for which Refinitiv Eikon does not have complete data on IPO Date	1
Companies that do not have complete data on Market Capitalization by Refinitiv Eikon	3
Companies for which Refinitiv Eikon does not have complete data on Total Revenue	1
Numbers of Sample	**251**
x 5 year of research	**1255**

Table 1 explains that this study uses a purposive sampling method to select non-financial sector public companies listed on the stock exchanges of Southeast Asian countries. The IN, ML, SG, TH, VI, PH, MY, LA, BR, CA and TL respectively stands for Indonesia, Malaysia, Singapore, Thailand, Vietnam, Philipines, Myanmar, Laos, Brunei Darussalam, Cambodia and East Leste. After all criteria were applied, the final number of samples that met the criteria was 251 companies with a total of 1,255 observations over the 5-year research period. There are 6 research models used, namely :

Model 1 :

This research model aims to test hypothesis 1 (H1), which shows the direct effect of ESG controversy variables on firm value (Tobins'Q) as shown in equation 1.

$$Tobins'Q_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 UP_{i,t} + \beta_3 AGE_{i,t} + \beta_4 \Delta GDP\ Growth_{i,t} + \beta_5 GOV_{i,t} + \beta_6 DAR_{i,t} + \beta_7 Poll_{i,t} + e_{i,t} \quad (1)$$

Model 2 :

This research model aims to test hypothesis 1 (H1), which shows the direct effect of ESG controversy variables on firm value (ROA) as shown in equation 2.

$$ROA_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 UP_{i,t} + \beta_3 AGE_{i,t} + \beta_4 \Delta GDP\ Growth_{i,t} + \beta_5 GOV_{i,t} + \beta_6 DAR_{i,t} + \beta_7 Poll_{i,t} + e_{i,t} \quad (2)$$

Model 3 :

This research model aims to test hypothesis 1 (H1), which shows the direct effect of ESG controversy variables on firm value (MC) as shown in equation 3.

$$MC_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 UP_{i,t} + \beta_3 AGE_{i,t} + \beta_4 \Delta GDP\ Growth_{i,t} + \beta_5 GOV_{i,t} + \beta_6 DAR_{i,t} + \beta_7 Poll_{i,t} + e_{i,t} \quad (3)$$

Model 4 :

This research model aims to test hypothesis 2 (H2), which shows the moderating effect of analyst coverage on the relationship between ESG controversy variables and firm value (Tobins'Q) as shown in equation 4.

$$Tobins'Q_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 AC_{i,t} + \beta_3 ESGCTR*AC_{i,t} + \beta_4 UP_{i,t} + \beta_5 AGE_{i,t} + \beta_6 GDP\ Growth_{i,t} + \beta_7 GOV_{i,t} + \beta_8 DAR_{i,t} + \beta_9 Poll_{i,t} + e_{i,t} \quad (4)$$

Model 5 :

This research model aims to test hypothesis 2 (H2), which shows the moderating effect of analyst coverage on the relationship between ESG controversy variables and firm value (ROA) as shown in equation 5..

$$ROA_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 AC_{i,t} + \beta_3 ESGCTR*AC_{i,t} + \beta_4 UP_{i,t} + \beta_5 AGE_{i,t} + \beta_6 GDP\ Growth_{i,t} + \beta_7 GOV_{i,t} + \beta_8 DAR_{i,t} + \beta_9 Poll_{i,t} + e_{i,t} \quad (5)$$

Model 6 :

This research model aims to test hypothesis 2 (H2), which shows the moderating effect of analyst coverage on the relationship between ESG controversy variables and firm value (MC) as shown in equation 6.

$$MC_{i,t} = \beta_0 + \beta_1 ESGCTR_{i,t} + \beta_2 AC_{i,t} + \beta_3 ESGCTR*AC_{i,t} + \beta_4 UP_{i,t} + \beta_5 AGE_{i,t} + \beta_6 GDP\ Growth_{i,t} + \beta_7 GOV_{i,t} + \beta_8 DAR_{i,t} + \beta_9 Poll_{i,t} + e_{i,t} \quad (6)$$

Keterangan :

$Tobins'Q_{i,t}$	=	Firm value of company i, in period t proxied by Tobins'Q
$ROA_{i,t}$	=	Firm value of company i, in period t proxied by Return on Asset
$ESGCTR_{i,t}$	=	ESG controversies of company i, in period t
$AC_{i,t}$	=	Number of analysts of company i, in period t
$ESGCTR*AC_{i,t}$	=	The interaction between the level of ESG controversy and analyst coverage serves as a moderating variable that tests whether analyst coverage moderates the relationship between ESGCTRi,t on Tobins'Qi,t and ROAi,t.
$UP_{i,t}$	=	Company size i, in period t
$AGE_{i,t}$	=	Age of company i, in period t
GDP $Growth_{i,t}$	=	GDP growth i, in period t
Governance $effectiveness_{i,t}$	=	Effectiveness of government i, in period t
$Pollution\ Sec_{i,t}$	=	Pollution sector I, in period t
$DAR_{i,t}$	=	*Debt to Asset Ratio of company i, in period t*
β_0	=	Regression coefficient
$e_{i,t}$	=	*Error term*

RESULTS AND DISCUSSION

After the classical assumption test is fulfilled, then the next stage is regression analysis to answer the hypothesis that was previously proposed. Table 3 Results of Panel Data Regression Analysis

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Model 1

Variabel	Tobins'Q		
	Koef	t	p-value
Konstanta	23.5379	11.23	0.000***
ESG Controversies	-0.0052887	-1.90	0.058*
Firm Size	-0.6383819	-9.36	0.000***
Age	0.0106667	3.30	0.001***
DAR	1.000598	3.18	0.002***
Pollution Sector	-0.3942745	-4.44	0.000***
GDP Growth	-0.0106256	-0.91	0.363
Governance Effectiveness	-0.0203264	-5.17	0.000***
F	24.00		0.000***
R^2		0.1971	

Robust standard errors in parentheses
*p<0.1
***p<0.01

Model 2

Variabel	ROA		
	Koef	t	p-value
Konstanta	0.5128609	4.34	0.000***
ESG Controversies	-0.0000479	-0.22	0.829
Firm Size	-0.0102654	-2.30	0.021**
Age	0.0008662	4.81	0.000***
DAR	-0.1308932	-4.00	0.000***
Pollution Sector	0.0053115	1.14	0.253
GDP Growth	0.0017554	2.76	0.006***
Governance Effectiveness	-0.0010188	-3.40	0.001***
F	22.82		0.000***
R^2		0.1400	

Robust standard errors in parentheses
**p<0.05
***p<0.01

Model 3

Variabel	Market Capitalization		
	Koef	t	p-value
Konstanta	12.57571	17.02	0.000***
ESG Controversies	-0.0038878	-1.90	0.057*
Firm Size	0.6618064	27.39	0.000***
Age	0.0015311	0.87	0.386
DAR	-1.250964	-7.33	0.000***
Pollution Sector	-0.0562514	-1.06	0.288
GDP Growth	-0.0037152	-0.66	0.509
Governance Effectiveness	-0.0140831	-6.97	0.000***
F	166.75		0.000***
R^2		0.4680	

Robust standard errors in parentheses
*p<0.1; ***p<0.01

Model 4			
Variabel	Tobins'Q		
	Koef	t	p-value
Konstanta	25.46254	11.14	0.000***
ESG Controversies	-0.0004884	-0.06	0.953
Analyst Coverage	0.0671822	1.49	0.136
ESGC x AC	-0.0001376	-0.29	0.772
Firm Size	-0.7484249	-10.36	0.000***
Age	0.0102729	3.42	0.001***
DAR	1.149381	3.65	0.000***
Pollution Sector	-0.2648104	-3.08	0.002***
GDP Growth	-0.0088264	-0.76	0.450
Governance Effectiveness	-0.0158339	-4.06	0.000***
F	28.20		0.000***
R^2		0.2231	

Robust standard errors in parentheses
***p<0.01

Model 5			
Variabel	ROA		
	Koef	t	p-value
Konstanta	0.5564402	4.01	0.000***
ESG Controversies	0.0001724	0.25	0.805
Analyst Coverage	0.0024292	0.54	0.590
ESGC x AC	-0.00000996	-0.22	0.826
Firm Size	-0.0132563	-2.70	0.007***
Age	0.0008571	4.94	0.000***
DAR	-0.1268953	-3.83	0.000***
Pollution Sector	0.0088294	1.83	0.068*
GDP Growth	0.0018082	2.85	0.005***
Governance Effectiveness	-0.0008976	-2.79	0.005***
F	19.42		0.000***
R^2		0.1475	

Robust standard errors in parentheses
*p<0.1
***p<0.01

Model 6			
Variabel	MarketCapitaliz tion		
	Koef	t	p-value
Konstanta	14.40948	16.81	0.000***
ESG Controversies	0.0036334	0.62	0.534
Analyst Coverage	0.0879918	2.34	0.020**
ESGC x AC	-0.0003117	-0.81	0.416
Firm Size	0.5437757	23.34	0.000***
Age	0.001151	0.81	0.420
DAR	-1.092591	-7.52	0.000***
Pollution Sector	0.0825891	1.67	0.095*
GDP Growth	-0.0016843	-0.32	0.748
Governance Effectiveness	-0.0092884	-5.09	0.000***
F	172.23		0.000***
R^2		0.5496	

Robust standard errors in parentheses
*p<0.1
**p<0.05
***p<0.01
Source : Stata output, 2024

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Table 4 Results of Additional Panel Data Regression Analysis

Model 4			
Variabel	Tobins'Q		
	Koef	t	p-value
ESGC x AC	0.0003818	7.68	0.082*

Robust standard errors in parentheses
*p<0.1

Model 5			
Variabel	ROA		
	Koef	t	p-value
ESGC x AC	0.0001013	0.72	0.601

Model 6			
Variabel	Market Capitalization		
	Koef	t	p-value
ESGC x AC	-0.0002612	-3.01	0.204

Source : Stata output, 2024

Effect of ESG Controversy on Firm Value (Tobins'Q)

Table 3 in Model 1 shows that the significance value of the ESG controversy variable is 0.058 which is smaller than 0.10 (0.058 < 0.10) with a t-statistic of -1.90. This value means that statistically, ESG controversy has a negative and significant effect on firm value. These statistical results can be interpreted that the higher the ESG controversy of a company, the lower the value of the company in the Tobins'Q proxy. This shows that hypothesis 1a which states that ESG controversy has a negative and significant effect on firm value proxied by Tobins'Q is accepted. The results are in line with Legitimacy theory and Signal theory. This decrease in legitimacy encourages a negative reaction from the market, where investors reduce their exposure to the company, thereby lowering the value of Tobins'Q (Ali et al., 2024; Soschinski et al., 2024). In this context, Tobins'Q becomes a sensitive indicator that shows the direct impact of a decrease in market confidence in a company's prospects due to ESG issues. This phenomenon can be explained through signaling theory, where a company's involvement in ESG controversies is perceived as a negative signal by the market. Investors often use information related to these controversies to evaluate the risks faced by the company, including reputational, legal and operational risks (Spence, 1973).

The Effect of ESG Controversy on firm Value (ROA)

Table 3 in Model 2 shows that the significance value of the ESG controversy variable is 0.829 which is greater than 0.05 (0.829 < 0.05) with a calculated t value of -0.22. This value means that statistically, ESG controversy has no effect on company value. These statistical results can be interpreted as meaning that the higher the ESG controversy of a company, it has no effect on the value of the company as a proxy for ROA. This shows that hypothesis 1b which states that ESG controversy has a negative and significant effect on company value as proxied by ROA is rejected. The results of this research are not in line with Legitimacy theory and Signal theory.

The Effect of ESG Controversy on Firm Value (Market Capitalization)

Table 9 in Model 3 shows that the significance value of the ESG controversy variable is 0.057, which is smaller than 0.10 (0.057 < 0.10) with a calculated t value of -1.90. This value means that statistically, ESG controversy has a negative and significant effect on company value. The statistical results can be interpreted that the higher the ESG controversy of a company, the lower the value of the company in the Market Capitalization proxy. This shows that hypothesis 1c which states that ESG controversy has a negative and significant effect on company value as proxied by Market Capitalization is accepted. The results of this study are in line with the Legitimacy theory and Signal theory. Signal theory is relevant to explain this phenomenon, because this theory emphasizes how information in the market affects investor perceptions. ESG controversy is considered a negative signal that increases the perception of risk to the sustainability of the company.

Effect of Control Variables

Firm size

The size of a large company tends to have a positive and significant influence on the value of the company when measured using market capitalization. The Model 3 and Model 6 show that market capitalization tends to increase along with the size of larger companies, as investors see

large companies as having the potential to survive unstable market conditions and opportunities for broader expansion (Dina & Wahyuningtyas, 2022)

Age

In Model 3 and Model 6 in table 3, the significant values are 0.386 and 0.420 respectively. All of the research models have a significance value above 0.05 so it can be said that the size of the company does not have a significant effect on the value of the company. These findings explain that the age of a company, while reflecting experience and stability, does not directly affect the value of a company when measured using market capitalization. This finding is in line with the research of Lambey et al., (2021) which shows no effect of company age on company value in the context of market capitalization. This can be due to the fact that market capitalization is more influenced by market sentiment, growth prospects, and investors' expectations of the company's future performance than the age of the company itself Lambey et al., (2021).

DAR

In Model 3 and Model 6, DAR also shows a negative influence on the value of companies as measured by market capitalization, because the market often views high-leverage companies as riskier entities, thus reducing their attractiveness in the eyes of investors. Overall, these results confirm that while debt can be a strategic tool, excessive use without good management can be detrimental to a company's value both in terms of profitability and market perception.

Pollution Sector

The results of the study on Model 1 and Model 4 show that companies from the polluting sector are considered environmentally sensitive because the operations of these industries tend to cause environmental degradation which can cause huge losses to the environment (Cho & Patten, 2007).

GDP growth

This result is in line with Klein & Weill (2022) which shows that GDP growth has a positive relationship with a firm's ability to generate a return on assets owned both in the short and long term. In this context, higher economic growth creates greater business opportunities, increases consumer purchasing power, and supports the overall profitability of companies. Additionally, companies operating in emerging markets tend to be better able to take advantage of economic expansion to improve operational efficiency and net income, which is reflected in their increased ROA.

Governance Effectiveness

The results show that the effectiveness of government has a negative influence on the value of the company. This means that the higher the level of government effectiveness, the value of companies tends to decrease with varying numbers according to the company's value proxy. These results are in line with the findings of Abolhassani et al., (2020) showing that government effectiveness can be a double-edged sword in the context of corporate value. On the one hand, high government effectiveness can create a more orderly environment through the implementation of strict regulations and more structured policies

CONCLUSION

The results of this study show unique findings related to the role of analyst coverage in moderating the relationship between ESG controversy and company value during the COVID-19 pandemic. In the context of company value proxied by market capitalization, analyst coverage does not have a significant moderation effect, both in overall conditions and during the pandemic. This shows that the signals provided by analyst coverage are not strong enough to influence the market perception of a company's capitalization during ESG controversy. Market capitalization, which reflects the total market value of a company's shares, is more influenced by macroeconomic risks and market volatility during the pandemic, so the relevance of analyst coverage in this context is limited.

However, different results were found in other research models that used Tobin's Q as a proxy for corporate value. The findings show that during the COVID-19 pandemic, analyst coverage was able to significantly moderate the relationship between ESG and Tobin's Q controversies. This indicates that the role of analyst coverage is more relevant in influencing market expectations for the company's future growth potential. Tobin's Q, as an indicator that reflects the market's assessment of the

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company's assets, is more responsive to strategic signals provided by analyst coverage, especially related to the company's steps in managing ESG issues during the pandemic period.

This study has limitations, namely (1) The study used ESG controversy score data from Refinitiv Eikon, which may not cover all important dimensions in a company's sustainability assessment. The data available in Refinitiv Eikon may have limitations in terms of accuracy or comprehensiveness, so the results of the study may be affected by the quality of the data. Therefore, conducting research using other databases such as Bloomberg or other sources can provide a more diverse perspective and strengthen the findings in this study. (2) The research focuses mostly on companies in the Southeast Asian region, which are still in the early stages of integrating ESG issues into their business strategies. Therefore, the results of this study may not be fully generalizable to other regions with higher levels of ESG maturity, such as Europe or North America.

The results of this study also provide recommendations to investors Investors are advised to be more critical in evaluating the company's ESG reports and not rely solely on analyst coverage recommendations, especially in situations of ESG controversy. A deep understanding of a company's strategy for managing ESG risks can help investors make better decisions. Additionally, investors can diversify their portfolios by paying attention to companies that have a high commitment to sustainability, as this can provide long-term returns. In unstable market conditions, such as the pandemic, investors also need to be more selective about market signals that are relevant to the sustainability of the company.

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