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**THE INFLUENCE OF ENVIRONMENTAL PERFORMANCE AND  
GOOD CORPORATE GOVERNANCE ON COMPANY VALUE**

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**Abstract:**

The value of the company is an indicator of the company in terms of fulfilling its obligations to investors, the value of the company also reflects the sustainability of the company in the future. However, there are many cases of environmental pollution in Indonesia, such as the case of PT. Lapindo Brantas Inc. who made negligence in drilling oil and gas in Sidoarjo had a negative impact on society, the environment and resulted in the decline in the share price of PT. Energi Mega Persada, Tbk. (major shareholder of PT. Lapindo Brantas Inc). In addition, there is also a case of PT. Freeport is currently the concern of various parties related to the change in the status of the contract of work owned by PT. Freeport became a Special Mining Business License (IUPK). This study aims to determine the effect of environmental performance and good corporate governance on firm value on IDX LQ45 index companies for the 2017-2021 period. The sampling technique used is the purposive sampling technique so as to obtain 45 sample companies. The data analysis technique used in this study is multiple linear regression. This test shows that environmental performance and good corporate governance have a positive and significant effect on firm value on the Indonesia Stock Exchange.

**Keywords:** Environmental Performance, GCG, Company Value

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**INTRODUCTION**

The value of the company is an indicator of the company in terms of fulfilling its obligations to investors, the value of the company also reflects the sustainability of the company in the future (Ahmad et al., 2020). Firm value is a description of the condition of a company during a certain period (Rahayu & Sari, 2018). The increase in the value of the company can be seen in the market response which is reflected in the stock price. The higher the stock price of a company, the higher the value of the company. A high company value is the company's desire because a high company value can indicate the prosperity of shareholders (Ahmad et al., 2020; Jayawarsa et al., 2020). There are several factors that affect the value of the company, one of which is environmental factors. Solving environmental problems is an issue that makes a company competitive advantage (Setiawan, 2016).

In Indonesia the case of PT. Freeport is currently the concern of various parties related to the change in the status of the contract of work owned by PT. Freeport became a Special Mining Business License (IUPK). At the same time, Freeport is also required to build a smelter within five years and hand over a 51% stake in the Gresberg mine to Indonesia. Plus, there are cases of layoffs and the issue of environmental pollution. Apart from the Freeport case, the Lapindo mudflow caused losses, economically, socially and environmentally. Like people who have lost their homes, damaged infrastructure and ecosystems (Dinata & Tenaya, 2018).

PT. Lapindo Brantas Inc. who made negligence in drilling oil and gas in Sidoarjo had a negative impact on society, the environment and resulted in the decline in the share price of PT. Energi Mega Persada, Tbk. (major shareholder of PT. Lapindo Brantas Inc.) until 2018. This phenomenon reinforces the idea that company activities that are not based on ethics and morals can have a negative impact on the value of the company itself. This phenomenon shows that the problem of decreasing the company's value can occur due to the decreasing trust of stakeholders in the company (Putri & Saputra, 2021; Sara & Saputra, 2021). This statement can be interpreted that the company in realizing its goals must be based on ethics and morals (Saputra et al., 2020).

In addition to the profits obtained, the company's performance is also measured from environmental aspects (Setiawan, 2016). The company's performance in creating a good environment is called the company's environmental performance. Companies that focus on environmental performance will improve the company's image in the future so that it will have an effect on improving financial performance (Radyati, 2014). Good environmental performance will lead to the company discloses a lot of social activities carried out by the company. If the company does not pay attention to the environment in the long term, it will affect the growth of the company's value (Saputra, 2021). Therefore, the company has a responsibility to stakeholders to pay attention to the company's environmental performance which will have an impact on rising stock prices which means an increase in company value. Research that shows a relationship between environmental performance and firm value conducted by Rusmana and Puranaman (2020) states that environmental performance has a positive and significant influence on firm value either partially or simultaneously in manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018, while not in line with the research conducted by Ethika et al (2018).

In addition to carrying out environmental performance practices, the existence of quality corporate governance plays a role in determining the value and sustainability of the company. The phenomenon of the collapse of large companies in the world, such as Enron, WorldCom, HIH insurance and One-tel, shows business people and governments, especially in developed countries, the importance of companies to implement quality corporate governance (Dinata & Tenaya, 2018). Johnson et al. (2000), revealed that the main reason for the financial crisis that occurred in Asia was due to the weak implementation of good corporate governance. Regarding economic recovery, the Indonesian government and the International Monetary Fund (IMF) introduced the concept of GCG as sound corporate governance. Indonesia has started to apply the concept of GCG since signing a Letter of Intent (LOI) with the IMF. Furthermore, the National Committee on Governance Policy (KNKG) argues that companies in Indonesia have a responsibility to implement GCG standards that have been applied in the international arena (Pratiwi, 2016).

The company in running its business delegates the company's operational activities to the management (agent) and gets capital assistance from the shareholders (principal) (Atmadja & Saputra, 2018). Both parties are required to synergize well in order to achieve the desired company value. In fact, both the agent and the principal have different interests for the prosperity of each party. This difference in interest causes a conflict within the company which is known as an agency conflict. If the agency conflict is allowed to continue, it will reduce the company's performance so that the company's goal to increase company value will be difficult to achieve. Agency conflict can be minimized with optimal supervision from both the agent and the principal. namely by applying the GCG mechanism (Inastri & Neem, 2017). Research showing the relationship between good corporate governance and firm value by Inastri and Mimba (2017) states that the implementation of GCG has a positive and significant effect on firm value. But not in line with research by Tamara and Budiasih (2020) stating that good corporate governance has no effect on firm value. In context from

the description provided above, the authors decided to conduct another research with the title "The Influence of Local Content Towards the Sales of SMEs' Product Through Media of Market Place".

## METHODS

This study uses a quantitative approach, where in this study, the variables tested are about the effect of environmental accounting disclosures, environmental performance, and good corporate governance on firm value. This research was conducted by collecting data on companies listed continuously in the LQ45 index, on the Indonesia Stock Exchange (IDX) and publishing financial reports and annual reports accessed through the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)), entered the Corporate Governance Perception Index (CGPI) ranking by accessing the website of The Indonesian Institute for Corporate Governance (IICG) accessed through the official website ([www.iicg.org](http://www.iicg.org)) and publishing an environmental performance report (PROPER) which is published by the ministry of environment every year. 2017-2021. The method of determining the sample in this study is non-probability sampling with purposive sampling technique. The source of data in this study, researchers used secondary data, namely annual reports obtained from companies that are continuously listed in the LQ45 index, on the Indonesia Stock Exchange (IDX) which are accessed through the official website of the Indonesia Stock Exchange ([www.idx.co.id](http://www.idx.co.id)), entered the Corporate Governance Perception Index (CGPI) ranking by accessing the website of The Indonesian Institute For Corporate Governance (IICG) accessed through the official website ([www.iicg.org](http://www.iicg.org)) and publishing an environmental performance report (PROPER) which is published by the ministry of environment every year. period 2017-2021. The analytical tool in hypothesis testing carried out in this study is to use multiple linear regression analysis techniques. Before conducting the analysis, it is necessary to test the classical assumptions first. Normality test, aims to determine whether in the regression model, the confounding variable or residual (Kawisana et al., 2019). As it is known that the t test and F test assume that the residual value follows a normal distribution. If this assumption is violated, the regression model is considered invalid with the number of samples available (Atmadja et al., 2021).

## RESULT AND DISCUSSION

**Table 1.** Test of Regression

Variable	Coefficient	Standard Error	t statistic	Probability
Constanta (C)	4.318	1.522	2.838	0.005
Environmental Performance (X1)	0.368	0.045	1,510	0.032
Good Corporate Governance(X2)	0.416	0.166	0.098	0.022
R squared	0.504			
Prob (F-statistic)	0.024			

Source: Data Processed 2022

**The Effect of Environmental Performance on Company Value.** The effect of environmental performance on firm value, obtained tcount 1.510 with a significance level of  $0.032 < 0.05$ , then  $H_0$  is rejected and  $H_2$  is accepted. This means that the environmental performance variable partially has a positive and significant effect on the value of the LQ-45 company for the 2017-2021 period. The company also manages, maintains, and improves environmental sustainability, and the company's activities are shown by the company's environmental performance as measured by PROPER TEST. The higher the PROPER value of the company, it means that the company's environmental

performance is very very good and can be a positive signal for investors who will invest in the company concerned. Besides that, If you look at the theory of legitimacy, this activity will provide value added for the company because the company has shown caring behavior towards the surrounding environment. This research is in line with research conducted by Rusmana and Purnama (2020); Saputra and Mahyuni (2018), Kusuma and Dewi (2019), Rismayanti, et al., (2021), and Averina (2021). This means that the higher the environmental performance of the company, it will have a positive effect on increasing the value of the company. The environmental performance of a company that has a high score means considering environmental issues, where this is related to the survival of the company, the better the company's environmental performance has an impact on increasing the value of the company.

This research is in line with research conducted by Rusmana and Purnama (2020); Saputra and Mahyuni (2018), Kusuma and Dewi (2019), Rismayanti, et al., (2021), and Averina (2021). This means that the higher the company's environmental performance, it will have a positive effect on increasing company value. The environmental performance of a company that has a high score means considering environmental issues, where this is related to the survival of the company, the better the company's environmental performance has an impact on increasing the value of the company. This research is in line with research conducted by Rusmana and Purnama (2020); Saputra and Mahyuni (2018), Kusuma and Dewi (2019), Rismayanti, et al., (2021), and Averina (2021). This means that the higher the environmental performance of the company, it will have a positive effect on increasing the value of the company. The environmental performance of a company that has a high score means considering environmental issues, where this is related to the survival of the company, the better the company's environmental performance has an impact on increasing the value of the company.

**The Effect of Good Corporate Governance on Company Value.** The effect of good corporate governance on firm value, obtained tcount 0.098 with a significance level of  $0.022 < 0.05$ , then  $H_0$  is rejected and  $H_3$  is accepted. This means that the good corporate governance variable partially has a positive and significant effect on the value of the LQ-45 company for the 2017-2021 period. Companies that implement GCG can have additional value and positive signals for investors because this means the company has quality corporate governance and has ability to resolve agency conflicts within the company. A company that has a high CGPI index means that the company has implemented good corporate governance with proper GCG and can increase investor confidence and have more efficient operational performance. The results of this study indicate that GCG has a positive effect on firm value, and this is in line with research conducted by Kebon and Suryanawa (2017), Dinata and Tenaya (2018), and Pradana and Astika (2019). The more items of GCG disclosure that can be fulfilled by the company, the higher the value of the company will be from the point of view of outsiders who use financial statements as a basis for decision making.

## CONCLUSION

Environmental Performance has a positive and significant effect on the value of the LQ-45 company for the 2017-2021 period. This means that the higher the environmental performance value achieved by the company, the higher the value of the company. Good Corporate Governance has a positive and significant effect on the value of the LQ-45 company for the 2017-2021 period. This means that the higher the CGPI value (index to measure the implementation of GCG in the company), the higher the value of the company.

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