

Exploring the Impact of Cultural Heritage on the Cost of Equity in the Global Cement Industry

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Abstract:

There has been an increasing concern for corporations to connect their ESG disclosure with the achievement of Sustainable Development Goals (SDGs) as a global commitment. Cement industry is also joining this initiative by improving on the materiality issue related to the cultural and natural heritage. Investors have found that the cement industry has made a negative impact on the heritage due to the use of the land for the business. We aim to reveal the relationship between cultural and natural heritage issues to the investor's rate of return or cost of equity for the case of Cement and Cement-related industries around the world. This study employs a panel regression analysis for the periods of 2021-2022 and finds that our Cultural Heritage Index has a negative relationship with the cost of equity using several measures. Our results are robust after using subsample analyses by dividing the sample to high and low Cultural Heritage Index groups. Cement companies that integrate ESG principles, including cultural heritage protection, into their operations may attract socially responsible investors who are willing to accept lower returns in exchange for reduced social risks. As a result, firms with strong ESG performance may enjoy a lower cost of equity due to greater investor demand for their shares and a perception of lower risk.

Keywords:

Cement and Cement-related industries, panel regression analysis, Cultural Heritage Index, ESG performance, SDGs.