

The Effect of Sustainability Disclosure on Firm Value Moderated by Good Corporate Governance

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ABSTRACT

The importance of sustainability disclosures has gained increasing attention in recent years, particularly among stakeholders aiming to maximize wealth by increasing firm value. This research aims to examine the moderating role of good corporate governance on the effect of economic, environmental, and social disclosure on firm value. This study adopted a quantitative approach with an associative design, using content analysis with the GRI 2021 Standards. The research focused on companies listed on the SRI KEHATI index from 2019 to 2023. The results indicate that only economic disclosure has a significant effect on firm value. Board size is not relatively effective in moderating the effect of economic, environmental and social disclosure on firm value. Audit committee meetings only can moderate the effect of economic disclosure on firm value. The presence of independent commissioners can effectively moderate the effect of economic, environmental, and social disclosures on firm value. Firms may leverage the findings of this research to evaluate the implementation of sustainability reporting. At the same time, investors are encouraged to focus on both financial and sustainability disclosures when making investment decisions.

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Introduction

The demand for sustainability reports has been increasing over the past few years, especially among stakeholders who aim to maximize their wealth. The key approach to maximizing stakeholder wealth is by increasing firm value [1]. Internal stakeholders, particularly management, rely on sustainability reports to align operations with sustainability objectives [2]. This involves embedding sustainability into strategic planning, budgeting, and performance evaluations, ensuring adaptability to institutional contexts [3].

However, stakeholders hold diverse perspectives on the value of sustainability data, shaped by their unique priorities. Corporate executives balance risks and impacts, leveraging sustainability data for both ethical and financial benefits. Asset managers and banking professionals prioritize risk mitigation to minimize exposure to sustainability-related risks, while retail investors focus on societal impact and long-term well-being [4]. In addition, many Asian investors, including those in Indonesia, have begun to view sustainability as the key determining factor of their investment portfolio. This is reflected in the fact that 34% of investors felt that sustainability was much more important, and 57% of investors were delighted and positively shifted their investment to more sustainable portfolios. This group of investors also believes that investing in sustainability will provide a better return on investment, which encourages them to increase their allocation in sustainable portfolios [5]. These diverse priorities highlight the importance of sustainability reporting in addressing the expectations of various groups of stakeholders.

Although sustainability reports can positively affect companies and stakeholders, the obligation for Indonesian companies to publish such reports remains limited to those in the financial sector, as stipulated in Financial Services Authority Regulation No. 51/POJK.03/2017, which governs sustainable finance for financial institutions, issuers, and public companies. This requirement is further reinforced by Circular Letter No. 16/SEOJK.04/2021, which specifies the format and content of annual reports, including technical guidelines for preparing sustainability reports. Contrarily, almost 9.600 companies worldwide, with a total market capitalization of USD 85 trillion, published sustainability reports in 2022 [6].

Nevertheless, creating a sustainability report requires considerable costs and effort. Data from KPMG in 2013 revealed that large companies spent an average of €193,000 to create sustainability reports, followed by additional verification expenses. Although sustainability reporting can enhance legitimacy and provide valuable information to stakeholders, many companies face the dilemma of whether these efforts and expenditures are justified, particularly when the effect on firm value remains uncertain [7].

The sustainability report should follow the globally accepted standard, which is the GRI Standards (Global Reporting Initiative), which categorizes three main aspects, namely

economic, environmental, and social disclosure [8]. Key disclosures in the economic category of the GRI Standards include the effect of businesses on the broader economic system. Traditional financial data are increasingly viewed as insufficient as the primary basis for stakeholder decision-making, due to their limited representation of a firm's performance in the short term, neglecting the long-term economic implications of its activities on the ecosystem [9].

Business activities, including resource consumption and waste production, contribute significantly to environmental degradation, such as water, air, and soil pollution, loss of biodiversity, and the depletion of natural reserves [10]. For instance, PT Bukit Asam Tbk has been associated with environmental pollution. Its mining activities have polluted nearby rivers due to improper wastewater management, negatively affecting the surrounding ecosystem and causing health risks such as skin irritation and infections [11]. This shows that despite the growing concern of corporate responsibility in mitigating these impacts, many companies fail to provide comprehensive environmental disclosures, leaving stakeholders unaware about the extent of their efforts to address these issues [12]. Transparent environmental reporting not only strengthens stakeholder trust but also increases firm value by demonstrating accountability and fostering sustainable practices [13].

Moreover, Katadata identified significant gaps in social disclosure in Indonesia. Social disclosures encompass the effects of corporate activities on social issues, such as ethical employment, labor standards, and community welfare [15]. However, the employment aspect received the lowest disclosure score of 17.94, indicating a severe lack of information regarding key labor practices such as fair wages, employee development, diversity, and occupational health and safety. Overall, the social disclosure score of 35.99 indicates a moderate reporting level, which remains considerably below global best practices [17]. Collectively, these findings show that although companies tend to prioritize externally oriented social issues, they are less capable of addressing internal stakeholder concerns, particularly those related to labor. Insufficient social disclosure constrains stakeholders' understanding of how a company manages societal risks, which can diminish trust and reduce employee morale, commitment, and efficiency. This is in contrast with prior research that indicates greater transparency in this area can enhance stakeholder value and reduce staff turnover [16].

In the field of sustainable finance and investment practices, it is crucial to acknowledge the various factors that guide stakeholders in making informed decisions. Among these factors, Stock indices are essential for indicating the performance of companies committed to sustainable practice. Companies listed on the SRI KEHATI index are 25 companies that show an awareness of the environment, social, and corporate governance aspects, along with good

performance in sustainable practices demonstrated by an annual portfolio return of 49.76%, the highest amongst IHSG & LQ45 for the past five years [18]. However, the inconsistent findings from prior research leave the effect of economic, environmental, and social disclosures on firm value, particularly in the SRI-KEHATI index, uncertain [19], [20].

A firm's decision to disclose its sustainability performance is strongly influenced by its good corporate governance (GCG) implementation, which plays a key role in moderating the relation between sustainability reporting and firm value. Strong GCG practices help build stakeholder trust, contributing to improved firm value [23]. The effectiveness of sustainability disclosures is shaped by how well GCG is implemented and the firm's commitment to economic, environmental, and social responsibilities. Based on the research background and identified gaps, this study aims to examine the moderating role of good corporate governance on the effect of economic, environmental, and social disclosure on firm value.

This study advances literature by disaggregating sustainability disclosure into its economic, environmental, and social dimensions, enabling a sharper assessment of their individual value relevance. It uniquely examines how specific governance mechanisms particularly board size, board independence, and the presence of audit committees distinctly moderate each disclosure component, offering a refined understanding of the governance and ESG relationship rarely addressed in prior work. Furthermore, by focusing exclusively on firms listed in the SRI KEHATI Index which are recognized for their market leading ESG practices and achieved the highest annual return of 49.76 percent in the recent 5 years, this research provides the first multidimensional examination of these relationships within an emerging market context, thereby offering insights that are absent in prior studies of more heterogeneous and developed market samples.

Literature Review

This research adopts stakeholder theory as the main framework to examine the effect of sustainability reports covering economic, environmental, and social disclosure towards firm value, moderated by good corporate governance. Stakeholders are individuals or groups who can affect or be affected by an organization's activities, including shareholders, employees, customers, suppliers, government entities, and society [24]. Stakeholder theory explains the interconnectedness of business decisions with stakeholder interests. It combines economic objectives with social and environmental responsibilities, while also considering external factors such as regulations and societal expectations. When companies align their sustainability disclosures with stakeholder needs and build trust through transparency, they can enhance firm value, making stakeholder theory a solid foundation for examining the role of sustainability practices and good corporate governance. Corporate sustainability depends

on meeting stakeholder needs and emphasizes the importance of stakeholder relationships in addressing issues such as value creation and ethical business practices [25].

Economic disclosure is the clear communication of a company's financial performance and economic impact, particularly how it generates and distributes economic value while preserving its capital base over time [26]. This covers not only direct financial metrics such as revenue and profit but also broader economic effects, including direct economic value generated and distributed, indirect economic impacts, infrastructure investment, responsible procurement practices, and economic empowerment for local communities, all in line with the principle of maintaining economic capacity for the future [27].

Environmental disclosure involves mandatory or voluntary sharing of information that helps stakeholders to understand the environmental impact of business decisions [28]. Environment disclosure reflects corporate responsibility in sustainability practice, which includes narratives of various environmental aspects such as environmental program and policy, compliance with environmental regulations, environmental management system, natural resources usage, energy and water consumption, waste management, and environmental impact resulting from the business activities.

Social disclosure can be defined as information disclosed by a company, which includes narratives of activities, policy, society and community impacts, as well as ethical and human issues [29]. According to the GRI 2021 Standards, social disclosure includes disclosure of equal employment practices, such as fostering healthy workplace relationships, ensuring occupational health and safety, providing employee training and development, and preventing forced and child labor, as well as addressing human rights impacts amongst employees and suppliers. In the broader context, social disclosure includes a company's involvement in local community development, the implementation of anti-corruption and anti-monopoly principles, and responsibility of products and services, such as ensuring customer health and safety, conducting ethical marketing communication, and protecting customer privacy.

Firm value is defined as the value that will be received if the company is sold to another party, or the market value that reflects investors' expectations of the company's financial condition and prospects [30]. Tobin's Q is one of the common approaches used to measure firm value that combines accounting and market information, calculated by dividing the market value of a company's equity and debt by its total asset book value [31].

Good Corporate Governance (GCG) is a system established to manage and control the company to generate added value for all stakeholders. Corporate governance emerged as a response to the separation between ownership and control within companies [32]. Empirical studies show that strong GCG implementation supports sustainability disclosure in American

and European companies [33]. Operationally, GCG implementation can be measured using indicators such as the size of the board of commissioners, the proportion of independent commissioners, and the existence of an audit committee.

Board size (BSIZE) serves as a proxy for good corporate governance and refers to the number of commissioners on a company's board. The company's board is referred to as the board size [34]. A larger board size promotes sustainability reporting. A higher number of board commissioners is expected to provide more comprehensive supervision of company performance, which can, in turn, affect firm value [35].

An independent board (BIND) is one whose decisions are free from the influence of other board members [34]. Board independence is crucial for good corporate governance as it represents the interests of external stakeholders. The higher the proportion of an independent board of commissioners, the better the quality of sustainability disclosures by the company [35].

The audit committee is responsible for ensuring that financial reports and controls are properly and adequately implemented. Audit committee meetings (ACMEET) refer to the annual frequency of meetings attended by audit committee members [36]. The existence of meetings conducted by the audit committee will produce audit findings and recommendations for the company. This can be seen in the frequency of audit committee meetings held annually.

Previous research supports that economic, environmental, and social disclosure of sustainability reports has a strong and significant effect on firm value in the Saudi Arabia and Switzerland markets [19], [20]. The research highlights the importance of sustainability reports across economic, social, and environmental disclosure in improving firms' financial performance, increasing firm value, and supporting investors and stakeholder decision-making. The findings indicate that this positive relationship arises from the benefits derived from sustainability reporting, which allows firms to gain a competitive edge, leading to higher sales, broader market reach, and enhanced firm reputation. However, these findings contrast with other research that states sustainability disclosures have no significant effect on firm value [21], [22], as they are often perceived as baseline compliance rather than genuine business initiatives.

Material and Methods

This study adopted a quantitative approach, using secondary data sourced from sustainability and annual reports accessible via the firms' official websites and the Indonesia Stock Exchange (www.idx.co.id). The data were further analyzed using multiple regression methods with Microsoft Excel and IBM SPSS 27 software. An associative research design was applied to identify the effect or relationship between two or more variables [37].

Before analyzing the relationship between variables, the researcher conducted content analysis, a systematic and replicable methodology used to quantify textual information by categorizing it into predefined criteria. This approach is widely used in sustainability disclosure research [38]. The content analysis method was used to measure economic, environmental, and social disclosures compared with the required disclosed items in the Global Reporting Initiative (GRI) 2021 Standards, a standardized guideline for sustainability reporting that specifies 34 disclosure items across three dimensions, namely 13 economic, 14 environmental, and 7 social disclosures. The content analysis used a dummy coding system to assign numerical values to disclosure items, with disclosed items receiving a score of 1 and non-disclosed items assigned a score of 0.

The study population consisted of all firms listed on the IDX SRI-KEHATI Index. This research used purposive non-probability sampling techniques. The sample criteria in this study were firms listed on the SRI KEHATI index in 2019-2023, consistently publishing sustainability and annual reports within that period, and using the GRI 2021 Standards. Moreover, the independent variables in this research were the economic, environmental, and social dimensions of sustainability reports, which follow the research of [19]. The dependent variable was firm value, measured using Tobin's Q as the proxy. Good corporate governance served as the moderating variable, represented by board size, board independence, and audit committee meetings, following the previous study of [35], [39].

Results

Table 1 shows that the ECDI values range from 0.12 to 0.82, with a mean of 0.4165 and a standard deviation of 0.14581, indicating limited variance and stable observation data. The average ENDI is 0.42, with a standard deviation of 0.13, reflecting low data diversity. Social disclosure (SODI) ranges from 0.09 to 0.66 on average, and firms disclose an average of 41.09% of the expected social sustainability information. The moderate standard deviation indicates a relatively stable pattern of social disclosure practices among the sample firms, with limited variation. Firm value, measured by Tobin's Q, has a maximum of 1.46, a minimum of 0.69, and a mean of 0.9804, indicating that the market value is slightly lower than the replacement cost of its assets.

Asset growth (GROWTH) serves as a control variable, with sample firms showing an average growth of 1.2922 times compared to the previous year. Firm size (SIZE), also used as a control variable, has a mean of 32.43 and a standard deviation of 2.06, indicating significant data diversity in firm size. Furthermore, cash (CASH) is used as a control variable, measured as the ratio between cash and total assets. The average cash is 0.2202, indicating that 22.02% of the firm's total assets are held in cash. Board size (BSIZE) ranges from a minimum of 3.00 to

a maximum of 14.00, with a mean of 7.00 and a standard deviation of 2.15. This indicates that, on average, firms have seven board members, and the variation in board size among firms is relatively moderate.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ECDI	87	0.12	0.82	0.4165	0.14581
ENDI	87	0.11	0.75	0.4220	0.13998
SODI	87	0.00	0.69	0.4109	0.14528
TOBIN'S Q	87	0.69	1.46	0.9804	0.16535
GROWTH	87	-0.94	59.21	1.2922	8.70132
FSIZE	87	29.13	41.79	32.4366	2.06544
CASH	87	0.01	2.21	0.2202	0.36353
BSIZE	87	3.00	14.00	7.0000	2.15126
BIND	87	0.18	0.75	0.4618	0.12266
ACMEET	87	4.00	39.00	16.0486	8.25310

Source: Secondary data processed (2025)

Board independence (BIND) ranges from 0.14 to 0.71, with a mean of 0.47 and a standard deviation of 0.19. This indicates that, on average, 47% of the board members are independent, reflecting a moderate level of board independence and a relatively diverse composition across firms. Audit committee meetings (ACMEET) range from 3 to 18, with a mean of 10.84 and a standard deviation of 8.23. This implies that, on average, firms hold approximately eleven audit committee meetings per year, although the high standard deviation reflects considerable variation in audit committee activity across the sample firms.

A. Classical Assumption Test

1. Normality Test

The normality test was conducted using the Kolmogorov-Smirnov method to determine whether the model's residuals were normally distributed [40]. If the alpha value is greater than 0.05, the data are considered normally distributed [41]. Otherwise, if the alpha value is less than 0.05, the data are not normally distributed. The significance value of the normality test is 0.200, which exceeds 0.05. Thus, the residual data in this research are normally distributed. See Table 2.

Table 2. Normality Test (One-Sample Kolmogorov-Smirnov Test)

Unstandardized Residual		
N		87
Normal Parameters ^{a,b}	Mean	.000000
	Std. Deviation	.06275566
Most Extreme	Absolute	.061
	Positive	.061
	Negative	-.049
Test Statistic		.061
Asymp. Sig. (2-tailed) ^c		.200 ^d

Remark: a. Test distribution is Normal; b. Calculated from data; c. Lilliefors Significance Correction; d. This is a lower bound of the true significance

2. Multicollinearity Test

The multicollinearity test was conducted to examine whether there was a high correlation between the independent variables in the research model [40]. Table 3 shows that the VIF value of all independent variables are less than 10, and the TOL value of all variables are more than 0.1. It can be concluded that no multicollinearity occurs among the independent variables.

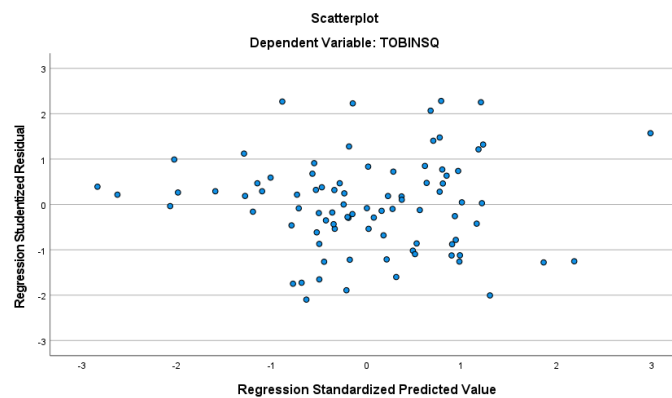
Table 3. Multicollinearity Test

Collinearity Statistics		
Constant	Tolerance	VIF
ECDI	.67	1.491
ENDI	.69	1.436
SODI	.68	1.457
GROWTH	.75	1.331
FSIZE	.93	1.07
CASH	.70	1.41

Source: Secondary data processed (2025)

3. Heteroscedasticity Test

The heteroscedasticity test was conducted to identify any variance inequality in the residuals across observations [40]. The Glejser test was used to determine whether the variance of errors in a regression model is relatively constant. Figure 1 shows that residual data spreads randomly and does not form a certain pattern, so there is no heteroscedasticity in the residual data.



Source: Secondary data processed (2025)

Fig. 1. Heteroskedasticity Scatter Plot

4. Autocorrelation Test

The autocorrelation test is used to determine whether there is a correlation between a specific period (period t) and the previous period (period $t-1$). The test used is the Durbin Watson (DW) test, where no autocorrelation is indicated if $du < d < (4 - du)$ [40]. Table 4 shows that the Durbin Watson value of 1.653 is between dU and $4-dU$; therefore, a decision is obtained to accept H_0 , concluding that there is no autocorrelation in the residual data.

Table 4. Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.435	.19	.12	.06507	1.653

a. Predictors: (Constant), CASH, FSIZE, SODI, ENDI, GROWTH, ECDI

b. Dependent Variable: TOBINS'Q

Source: Secondary data processed (2025)

B. Hypothesis Testing

1. Goodness of Fit Test

Table 5 presents the results of the F-test for four regression models. The significance value for all models are less than 0.05, indicating that the regression models are appropriate for use in this research. These results show that the independent variables collectively have a significant effect on Tobin's Q across all models.

Table 5. Goodness of Fit (F-Test)

Model	F-statistics	Sig.
Model 1	3.120	0.000
Model 2	2.690	0.015
Model 3	2.475	0.024
Model 4	2.221	0.041

Source: Secondary data processed (2025)

2. Coefficient of Determination Test

The R^2 values of 0.190, 0.192, 0.180, and 0.164 indicate that the models collectively explain 72.6% of the variance in the dependent variable. The remaining 27.4% is explained by other variables not included in this research.

Table 6. Coefficient of Determination

Model	R-square	Percentage
Model 1	0.190	19%
Model 2	0.192	19.2%
Model 3	0.180	18%
Model 4	0.164	16.4%

Source: Secondary data processed (2025)

3. Partial Significance Test (t-test)

Table 7 presents the t-test results, indicating the probability values of each variable as follows: ECDI has a probability value of 0.006, indicating that Economic disclosure affects dependent variables.

Meanwhile, ENDI has a probability value of 0.360, and SODI has 0.081, both above 0.5, indicating that ENDI and SODI do not affect the dependent variable. Furthermore, the probability values for all interactions between the three independent variables and board size are above 5%, indicating that these independent variables do not significantly affect the dependent variables when moderated by board size.

Table 7. Partial Significance Test Result

Model	Variable	T-stat	Sig.
Model 1	Constant	2.084	0.040
	ECDI	-2.812	0.006
	ENDI	0.920	0.360
	SODI	1.769	0.081
	GROWTH	1.951	0.055
	FSIZE	-2,161	0,034
	CASH	-1.556	0.124
Model 2	Constant	0.992	0.324
	ECDI	0.691	0.492
	ECDI x BSIZE	-0.380	0.705
	ECDI x ACMEET	-2.138	0.036
	ECDI x BIND	-0.897	0.372
	GROWTH	2.059	0.043
	FSIZE	-0.900	0.371
	CASH	-1.492	0.140
Model 3	Constant	1.080	0.283
	ENDI	1.642	0.105
	ENDI x BSIZE	-0.261	0.794
	ENDI x ACMEET	-0.906	0.368
	ENDI x BIND	-2.529	0.013
	GROWTH	2.181	0.032
	FSIZE	-0.909	0.366
	CASH	-2.207	0.030
Model 4	Constant	1.372	0.174
	SODI	1.096	0.276
	SODI x BSIZE	0.509	0.612
	SODI x ACMEET	-0.786	0.434
	SODI x BIND	-2.081	0.041
	GROWTH	2.037	0.045
	FSIZE	-1.330	0.187
	CASH	-2.091	0.040

Source: Secondary data processed (2025)

ACMEET significantly moderates the relationship between ECDI and firm value, as indicated by the p-value of 0.036. However, the interactions of SODI with ACMEET and ENDI with ACMEET are not statistically significant, with a p-value above 5%, indicating that ACMEET does not serve as a meaningful moderator in these relationships. BIND significantly moderates the relationship between both ENDI and SODI with the dependent variable, as evidenced by p-values below 5%. In contrast, the interaction between ECDI and BIND is not statistically significant, indicating that BIND does not meaningfully moderate the relationship between ECDI and dependent variables.

Discussion

A. H1: Economic disclosure has a significant effect on firm value

Sustainable economic disclosures, such as direct economic value generated and distributed, local supplier contributions, and economic impacts on surrounding communities, as required by the GRI 2021 Standards, are increasingly recognized by the market as relevant indicators of

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long-term performance and corporate accountability [42]. These disclosures help build investor trust and signal economic resilience, thereby increasing firm value. This reflects a shifting investor perspective, where many are no longer solely focused on traditional financial metrics such as profit margins and return on equity, but are starting to consider the broader, long-term economic impacts of corporate activities [43]. From the perspective of stakeholder theory, addressing the economic interests of key groups such as local communities and suppliers is crucial, as their well-being directly affects the company's operational stability and reputation. By transparently reporting these impacts, the company actively works with stakeholders whose support is important for sustained economic performance. This approach integrates shared value creation into corporate strategy, shifting the focus from solely maximizing shareholder profits.

B. H2: Environment disclosure has no significant effect on firm value

Environmental disclosure does not have a significant effect on firm value. This result is attributed to shareholders who often perceive environmental disclosure as costly commitment. Disclosing sustainable environment practice requires considerable resources, operational and investment expenditures, which may not yield short-term benefits. This will potentially reduce company competitiveness and increase the risk of failure and extend the investment payback period. Thus, environmental disclosures tend to have a limited effect on firm value. This result is aligned and supported by [21], [44]. According to stakeholder theory, these findings underscore the need for firms to balance stakeholder interests, as the perceived costs of environmental initiatives may overshadow their long-term value creation potential.

C. H3: Social disclosure has no significant effect on firm value

There is no significant relationship between social disclosure and firm value, contradicts with findings that indicate social disclosure in sustainability reports emphasizes how firms generate a positive effect for society and employees, such as through employee training and community empowerment programs [22], [45]. However, these initiatives are fundamentally long-term and do not directly affect the financial performance of a firm, making it less attractive for investors and limiting their impact on firm value. This may be because some of the stakeholders tend to respond more favorably to disclosures with clear short-term financial relevance rather than those focused on socially oriented initiatives [46]. From the perspective of stakeholder theory, investors prioritize financial performance over social initiatives because they are primary stakeholders with immediate economic interests. Meanwhile, secondary stakeholders, such as communities and employees, benefit from social disclosures but have a limited effect on firm valuation in the short term.,

D. H4: Economic disclosure has no significant effect on firm value moderated by board size

The number of board commissioners, as one of the proxies of GCG implementation, does not moderate the relationship between sustainable economic disclosure and firm value, which is consistent with the research result by [47]. This is believed to be because sustainable economic disclosures are still not being a main concern for the board of commissioners of firms in Indonesia. This condition is escalated by macroeconomic conditions that require firms to prioritize financial health over sustainability performance. From the perspective of stakeholder theory, this finding suggests that key internal governance actors, such as the board of commissioners, may still be primarily focused on shareholders' short-term financial gain, rather than balancing the expectations of other stakeholders, including communities and regulators, who are concerned with the business' practice implication on broader economic ecosystem [48].

E. H5: Environment disclosure has no significant effect on firm value moderated by board size

The number of board commissioners does not moderate the effect of environmental disclosure on firm value, which is consistent with the research by [47]. This is believed to be due to higher number of board size is associated with increasing greenwashing attempts by prioritizing selective reporting of favorable outcomes rather than actual results which can erode stakeholders' trust. Prior studies suggest that firms with inflated environmental claims, but weak performance often face market penalties, as investors increasingly scrutinize the credibility of sustainability reports. These findings align with stakeholder theory, emphasizing that firms prioritizing superficial disclosures over genuine sustainability efforts, it will undermine stakeholder trust and fail to contribute meaningfully to firm value.

F. H6: Social disclosure has no significant effect on firm value moderated by board size

Board size does not moderate the relationship between social disclosure and firm value, consistent with the findings of [49], which indicates that although, in theory, a larger number of board sizes can strengthen supervision and support better social disclosure. In fact, it does not contribute significantly to increasing firm value. This is likely because supervision effectiveness is not linear with the number of board members, as an excessively large board can slow strategic decision-making and create conflicts of interest, particularly in disclosing sustainable social practices. This aligns with stakeholder theory, which emphasizes that effective governance depends on balancing the diversity of stakeholder interests rather than simply increasing board size. The findings indicate that the effect of social disclosure on firm values relies more on the quality of governance than on the number of board members.

G. H7: Economic disclosure has a significant effect on firm value moderated by the audit committee meetings

Economic disclosure significantly affects firm value, which is moderated by the number of audit committee meetings. This finding is in line with [50], who state that an increased meeting frequency facilitates more thorough discussions regarding sustainable economic risks and implications. This, in turn, enhances the effectiveness of economic disclosure practices, leading to improved transparency and accountability, which results in better firm valuation [50]. The finding supports stakeholder theory by showing that frequent audit committee meetings function as a governance mechanism to balance shareholder and broader stakeholder interests through comprehensive economic disclosure. Enhanced transparency from frequent meetings mitigates information asymmetry, aligning firm actions with stakeholder expectations and increasing firm value.

H. H8: Social disclosure has no significant effect on firm value moderated by audit committee meetings

Audit committee meetings do not moderate the relationship between social disclosure and firm value. The insignificant moderating effect of audit committee meetings on the relationship between social disclosure and firm value is due to the limited role of the audit committee within the organizational structure and its activities [50]. The limitation of this role comes from the audit committee's functioning being limited to reviewing the annual report and other reports containing social practices that the firms will publish. Thus, the audit committee plays a less significant role in determining the content of social disclosure. As a result, the number of meetings held by the audit committee is relatively less able to moderate the environment and social sustainability disclosures and does not affect firm value. From the perspective of stakeholder theory, this implies that procedural formality alone cannot replace substantive governance reforms needed to empower audit committees to address stakeholder concerns in sustainability reporting.

I. H9: Environment disclosure has no significant effect on firm value moderated by audit committee meetings

Audit committee meetings do not moderate the effect of environmental disclosure on firm value. This insignificant moderating effect may be because environmental disclosure is still not a main concern to be brought in the audit committee meeting in Indonesia. Prior research suggests that audit committees in emerging markets often prioritize financial compliance over sustainability issues. Furthermore, institutional pressures for environmental accountability remain weaker in Indonesia compared to developed economies, reducing the urgency for audit committees to scrutinize such disclosures. As a result, the frequency of audit committee meetings is relatively ineffective in moderating the environment disclosures and does not

affect firm value. Stakeholder theory suggests that without stronger external pressures, firm may undervalue the interest of non-shareholder stakeholders in governance practice.

J. H10: Economic disclosure has a significant effect on firm value moderated by board independence

Independent board members, being less influenced by management, tend to promote transparency and accountability in financial reporting. Their presence creates an environment where economic disclosures are thoroughly evaluated and aligned with the firm's strategic objectives, thereby enhancing investor confidence. Board independence not only improves the credibility of disclosures but also aligns them more closely with stakeholder interests, ultimately leading to increasing firm value [52]. The findings align with stakeholder theory; wherein independent commissioners serve as mediators to balance shareholder and broader stakeholder interests. Their supervision reinforces a governance structure that prioritizes long-term economic value creation and ethical accountability.

K. H11: Environment disclosure has a significant effect on firm value moderated by board independence

The significant moderating effect of board independence on the relationship between environmental disclosure and firm value highlights the essential role of independent commissioners in ensuring the credibility and strategic integration of sustainability initiatives with shareholder interests. Independent board members, being less influenced by management, are more likely to ensure transparency and accountability in environmental reporting, thus reducing information asymmetry between management and investors. Their supervision ensures that environmental disclosures are not merely symbolic but are integrated into risk management and long-term strategy for value creation. This enhances investor confidence, particularly in markets where green performance increasingly correlates with financial performance. This finding is supported by previous research showing that an independent board of commissioners significantly strengthens the effect of environmental disclosure on firm value, by improving the quality and strategic integration of environmental sustainability reporting, particularly in European firms [53]. The findings align with stakeholder theory, emphasizing that independent directors serve as critical governance intermediaries, balancing shareholder value creation with diverse stakeholder expectations through effective environmental disclosure practices.

L. H12: Social disclosure has a significant effect on firm value moderated by board independence

Board independence can moderate the effect of social disclosure on firm value. This aligns with previous findings which noted that an independent board objectively enhances the

credibility and reliability of social disclosure without any conflict of interest, thereby minimizing information asymmetry and reducing systematic and volatility risk for stakeholders, particularly investors, leading to increasing firm value [54]. Additionally, the involvement of independent board promotes a culture of transparency that is essential for establishing trust among stakeholders. This heightened level of trust can lead to greater investor confidence, thereby enhancing the market valuations of firms that are actively involved in social disclosure practices. From the perspective of stakeholder theory, independent boards serve as mediators who objectively reconcile social disclosure with stakeholder expectations, reducing risk and reinforcing firms' accountability.

Conclusion

Statistical analysis reveals that economic disclosure significantly affects firm value. Because of a shifting investor perspective, where many investors are no longer solely focused on traditional financial metrics such as profit margins and return on equity, but are starting to consider the broader, long-term economic impacts of corporate activities. Both ENDI and SODI variables show no significant effect on firm value since investors often perceive environment and social disclosure as indicators of high operational and investment expenditures that may not yield short-term benefits and firm value. This calls into question the conventional view that stakeholders equally value all aspects of sustainability disclosure. Board size is not relatively effective in moderating the effect of economic, environmental and social disclosure on firm value since higher board size potentially supports greenwashing attempts. Audit committee meetings only can moderate the effect of economic disclosure on firm value. Board independence can strengthen the effect of economic, environmental, and social disclosures on firm value because independent boards are less susceptible to managerial influence and conflict of interest and more likely to ensure transparency and accountability. Meanwhile, in all models used, the GROWTH variable consistently shows a significant effect on firm value, indicating that greater asset growth increases a firm's capacity to disclose sustainability efforts.

Limitations and Suggestions

This study has several limitations that are expected to be overcome in future research. Firstly, this study focuses solely on firms listed in the SRI-KEHATI Index, which measures the stock performance of companies with strong environmental, social, and corporate governance (ESG) awareness and has historically outperformed other major stock indexes between 2017 and 2023. For future research, it is recommended to broaden the scope by including companies from other stock indexes within the Indonesia Stock Exchange (IDX) and extending the observation period. This would allow for a more comprehensive understanding of how good corporate governance (GCG) moderates the relationship between sustainability disclosure and

firm value. Additionally, future studies could explore other relevant variables as proxies for GCG and firm value to enrich the analysis.

Conflict of Interest

The authors declare that there is no conflict of interest.

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