Vol. 4 No. 6 (2026)
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
https://ecbis.net/index.php/go/index

THE EFFECT OF ESG DISCLOSURE ON FIRM VALUE WITH INDEPENDENT COMMISSIONERS AS A MODERATING VARIABLE

Regina Diah Retno Ayu[1], Tarsisius Renald Suganda[2], Lalu Rahmat Sohdi[3], Rino Tam Cahyadi[4]

Faculty of Economics and Business, Universitas Ma Chung, Indonesia

E-mail: reginadiah19@gmail.com

Submitted: 10 July 2026	Revised: 29 July 2026	Accepted: 05 August 2026

Abstract

The increasing demand for corporate transparency in sustainability practices, the development of ESG reporting regulations in Indonesia, and the persistent issues of credibility in disclosures such as greenwashing and inconsistent information quality indicate that Environmental, Social, and Governance (ESG) disclosures are not always perceived positively by the market. This condition is important because ESG disclosures that are not supported by substantive implementation may be viewed as an additional cost, risk, or merely a form of compliance, which in turn may reduce firm value. Therefore, this study aims to analyze the effect of environmental disclosure, social disclosure, and governance disclosure on firm value by incorporating independent commissioners as a moderating variable. Firm value is measured using Tobin's Q because it reflects market valuation of the company's performance and growth prospects. The sample consists of companies included in the SRI-KEHATI index during the 2020–2024 period, with a total of 227 unbalanced panel observations analyzed using panel data regression. The results show that environmental disclosure, social disclosure, and governance disclosure have a negative and significant effect on firm value. Independent commissioners are able to weaken the negative effect of environmental disclosure and governance disclosure on firm value, but they are unable to moderate the relationship between social disclosure and firm value. These findings suggest that ESG disclosure in sustainability-oriented companies is not yet fully perceived as a value-creating factor when it is not supported by convincing implementation quality. Practically, these findings are intended to encourage companies not only to increase the extent of ESG disclosure, but also to strengthen the substantive implementation and supervisory role of independent commissioners to enhance the credibility of sustainability information.

Keywords: *Environmental Disclosure, Governance Disclosure, Social Disclosure, Independent Commissioners, Firm Value.*

1. INTRODUCTION

The dynamics of the global business environment have driven a paradigm shift in assessing corporate success. Companies are no longer assessed solely on the basis of financial performance, but also on their ability to create long-term economic value that is aligned with environmental sustainability, social responsibility, and good governance practices (Choi et al., 2024; Li et al., 2021; Rohendi et al., 2024). This shift has emerged in response to increasingly pressing global issues, such as climate change, environmental degradation, social inequality, and demands for corporate transparency and accountability (Alkhawaja et al., 2023; Fuadah et al., 2022; Qureshi et al., 2020).

This paradigm shift has encouraged companies not only to focus on shareholder interests, but also to pay attention to various stakeholders in order to maintain business sustainability (Freeman, 1984; Yu & Luu, 2021). This is in line with stakeholder theory, which explains that a company's sustainability is influenced by its ability to obtain and maintain stakeholder support by meeting their needs and expectations (Freeman & Reed, 1983; Wu et al., 2022). In this context, the Environmental, Social, and Governance (ESG) framework has become one form of corporate commitment to responsible business practices (Aditya & Hasnawati, 2025; Aydoğmuş et al., 2022).

ESG disclosure then becomes a medium for companies to convey this commitment through transparent environmental, social, and governance information. This information is needed by investors and stakeholders to assess the quality of company management, sustainability risks, and long-term value creation prospects (Negara et al., 2024). Thus, ESG disclosure functions not only as a form of compliance, but also as a means of building transparency, trust, and legitimacy for the company in the market.

In Indonesia, sustainability disclosure practices continue to develop alongside increasing regulatory attention to ESG issues. The government, through POJK No. 51/POJK.03/2017, requires financial service institutions, issuers, and public companies to implement sustainable finance and to prepare sustainability reports in stages (Otoritas Jasa Keuangan, 2017). This regulation was subsequently strengthened by SEOJK No. 16/SEOJK.04/2021, which regulates guidelines for preparing annual reports for issuers and public companies, as well as the adoption of the IFRS Sustainability Disclosure Standards into PSPK 1 and PSPK 2 by the Indonesian Institute of Accountants as sustainability reporting standards (Ikatan Akuntan Indonesia, 2025; Otoritas Jasa Keuangan, 2021). These developments indicate that ESG disclosure is increasingly becoming an important part of modern corporate governance practices in Indonesia.

These regulatory developments have also been accompanied by growing investor attention to sustainability information. Data from the Global Sustainable Investment Alliance shows that the value of global sustainable investment assets has exceeded USD30 trillion (Global Sustainable Investment Alliance, 2022). In addition, the PwC Global Investor Survey (2023) shows that around 70% of investors consider sustainability factors in their investment decision-making. This fact indicates that ESG issues are increasingly playing a role in the market's valuation of companies.

Nevertheless, increased ESG disclosure has not always been translated positively by the market, particularly in the context of developing countries such as Indonesia. Under certain conditions, ESG disclosure may instead be perceived as an additional compliance cost, an implementation burden, or a potential agency risk, rather than as a signal of the company's competitive advantage (Prasetyo et al., 2025; Qurniasih et al., 2024; Saputra et al., 2024). This condition indicates that market responses to ESG disclosure are determined not only by the extent of the information disclosed, but also by its quality and credibility.

Credibility issues remain one of the key concerns in sustainability disclosure. Some investors still doubt whether the ESG information disclosed by companies truly reflects substantive implementation or is merely symbolic (Alkhawaja et al., 2023; Nurhazizah & Helmy, 2026). The phenomenon of greenwashing can worsen information asymmetry between management and investors, as companies may present a sustainability image that does not fully correspond to their actual conditions (Saraswati et al., 2025; Xu et al., 2025).

When ESG disclosure is not supported by adequate evidence of implementation, the market may view it as a managerial legitimation strategy that increases perceived risk and potentially lowers firm value (Zahra & Handayani, 2026; Zilber, 2011).

In addition to credibility issues, the quality of ESG disclosure also still varies across companies, both in terms of completeness, consistency, and comparability of information. The Corporate Governance Watch published by the Asian Corporate Governance Association shows that the quality of corporate governance in Indonesia still lags behind that of several other Asian countries. Meanwhile, the continued occurrence of environmental violations and indications of greenwashing show that sustainability disclosure does not yet fully reflect actual corporate practices (Harianja et al., 2026; Hutabarat & Hersugondo, 2026). This condition indicates that ESG implementation requires a more substantive commitment so that the disclosed information has adequate quality and credibility.

This issue is consistent with prior research findings, which still show mixed results regarding the effect of ESG disclosure on firm value. Some studies find that ESG disclosure has a positive effect on firm value because it can reduce information asymmetry, increase investor trust, and strengthen market responses (Choi et al., 2024; Fuadah et al., 2022; Setiawan et al., 2026; Wu et al., 2022). Conversely, some studies find a negative effect because ESG implementation is perceived as an additional cost that can suppress short-term profitability (Jasmine, 2026; Qurniasih et al., 2024; Wahyuni & Wijayanti, 2026). Meanwhile, other studies show that ESG disclosure has no significant effect on firm value (Hutabarat & Hersugondo, 2026; Nabit & Helmy, 2025; Rohendi et al., 2024).

This inconsistency in results indicates that the relationship between ESG disclosure and firm value is contextual. The effect of ESG disclosure can be influenced by market characteristics, information quality, firm characteristics, and investors' ability to assess the economic benefits of sustainability information. In addition, studies that examine the ESG dimensions separately find that environmental, social, and governance disclosure can have different effects on firm value (Cipto & Hersugondo, 2025; Mutiah, 2023; Zahra & Handayani, 2026). This shows that using ESG in aggregate has the potential to obscure the characteristics of each dimension, which have different levels of verifiability, cost implications, and economic relevance in the eyes of investors (Aydoğmuş et al., 2022; Negara et al., 2024).

From the perspective of agency theory, the relationship between principals and agents gives rise to potential conflicts of interest and information asymmetry due to differences in interests and access to information (Jensen & Meckling, 1976; Panda & Leepsa, 2017). In the context of ESG disclosure, agency conflicts can arise when management has an incentive to convey sustainability information selectively, symbolically, or even in a way that leads to greenwashing practices in order to build a positive corporate image (Nurhazizah & Helmy, 2026; Zilber, 2011). Therefore, agency theory explains the importance of monitoring mechanisms that can ensure that the ESG information disclosed by companies is credible and more reliably reflects the company's actual condition.

One governance mechanism considered capable of increasing the credibility of ESG disclosure is the presence of independent commissioners (Ayem & Bobat, 2025). Independent commissioners hold a position relatively free from interest-based relationships with management, and are therefore expected to be able to carry out an objective monitoring function over the process of preparing and disclosing corporate information (Zahra & Handayani, 2026). In the context of ESG, this monitoring function plays an important role in minimizing opportunistic behavior, reducing the potential for greenwashing, and encouraging the disclosure of more transparent and reliable information (Febriani, 2026; Jasmine, 2026).

Several studies support the role of independent commissioners in strengthening the relationship between ESG disclosure and firm value. Iskandar et al. (2024), Nurhazizah & Helmy (2026), Setiawan et al. (2026), and Zahra & Handayani (2026) show that independent commissioners or board independence can strengthen this relationship by improving the quality of monitoring, transparency, and investor trust in corporate information.

However, other studies show different results. Wahyuni & Wijayanti (2026), who used a sample of Jakarta Islamic Index (JII) companies for the 2022–2024 period, and Choiriyah & Handayani (2024), who examined 78 companies with ESG score disclosures for the 2022 period on the IDX website, found that independent commissioners weaken the relationship between ESG disclosure and firm value. Meanwhile, Febriani (2026), who examined energy sector companies on the Indonesia Stock Exchange for the 2021–2024 period, found that independent commissioners do not moderate this relationship. These differences in research context—whether in terms of index, industry sector, sample size, or observation period—indicate that the effectiveness of independent commissioners as a monitoring mechanism still needs to be re-examined. These differing results show that the effectiveness of independent commissioners as a monitoring mechanism in the relationship between ESG disclosure and firm value still requires further investigation.

The effectiveness of independent commissioners may also differ across the various ESG dimensions. The environmental and governance disclosure dimensions are generally easier to verify because they relate to policies, structures, compliance, and relatively measurable indicators. In contrast, social disclosure tends to be more qualitative and narrative in nature, making its credibility more difficult to assess directly (Bamel et al., 2025; Jamal et al., 2025). Therefore, examining the moderating role of independent commissioners on each ESG dimension separately is important in order to gain a more specific understanding of how internal monitoring mechanisms can influence market responses to sustainability information.

This study focuses on companies included in the SRI-KEHATI index for the 2020–2024 period. The selection of the SRI-KEHATI index is based on the characteristics of companies that have been selected on the basis of sustainability aspects, covering the environment, social issues, governance, and sustainable business practices (Aditya & Hasnawati, 2025; Adhia & Paramita, 2025). These characteristics make companies within the SRI-KEHATI index a relevant object for examining the relationship between ESG disclosure and firm value.

The 2020–2024 period was chosen because it reflects an important phase in the development of ESG reporting practices in Indonesia. During this period, attention from regulators, investors, and stakeholders toward sustainability issues has increased, alongside the process of post-COVID-19 economic recovery. This condition provides a relevant context for assessing how the market responds to ESG disclosure and the extent to which independent commissioners can strengthen the credibility of sustainability information.

Based on the discussion above, this study aims to analyze the effect of environmental disclosure, social disclosure, and governance disclosure on firm value, as well as to examine the role of independent commissioners in moderating this relationship among companies included in the SRI-KEHATI index for the 2020–2024 period. This study also considers control variables in the form of return on assets, debt to asset ratio, and board size so that the relationships among the main variables can be analyzed more objectively. Based on this background, this study is entitled "The Effect of ESG Disclosure on Firm Value with Independent Commissioners as a Moderating Variable".

2. RESEARCH METHOD

This study is a quantitative study using a causality approach (Sinambela, 2020; Sekaran & Bougie, 2017). The population in this study consists of all companies included in the SRI-KEHATI index during the 2020–2024 period. The sample was determined using specific criteria, namely companies that were included in the SRI-KEHATI index throughout the research period, that published financial statements, annual reports, and sustainability reports, and that did not have negative equity.

The research data are secondary data collected through documentation techniques. The data were obtained from financial statements, annual reports, sustainability reports, the official website of the Indonesia Stock Exchange, and the official websites of each company (Darmawan, 2020; Sekaran & Bougie, 2017).

The dependent variable in this study is firm value, measured using Tobin's Q, because this proxy can reflect the company's market value and management's effectiveness in managing assets (Brealey et al., 2008). The independent variables consist of environmental disclosure, social disclosure, and governance disclosure. These three variables were obtained from the Bloomberg database, which provides ESG data based on official corporate information with broad data coverage (Bloomberg, 2025; Negara et al., 2024).

The moderating variable in this study is independent commissioners, measured using the proportion of independent commissioners to the total number of members of the board of commissioners (Zahra & Handayani, 2026). In addition, this study uses control variables in the form of Return on Assets (ROA), Debt to Asset Ratio (DAR), and board size to control for the effects of profitability, leverage, and board characteristics on firm value (Pasko et al., 2022).

Data analysis was conducted using panel data regression with the assistance of STATA version 17.0. Panel data regression was used because the research data combine cross-sectional data in the form of companies within the SRI-KEHATI index and time series data over the 2020–2024 period. The stages of analysis include descriptive statistics, the selection of the panel regression model through the Chow Test, the Lagrange Multiplier Test, and the Hausman Test, as well as data quality testing, which includes tests for multicollinearity, heteroskedasticity, and autocorrelation in accordance with the selected model (Baltagi, 2021; Cameron & Trivedi, 2022; Ghozali, 2021). Subsequently, hypothesis testing was carried out through the model fit test, the coefficient of determination, and the t-test (Ghozali, 2021).

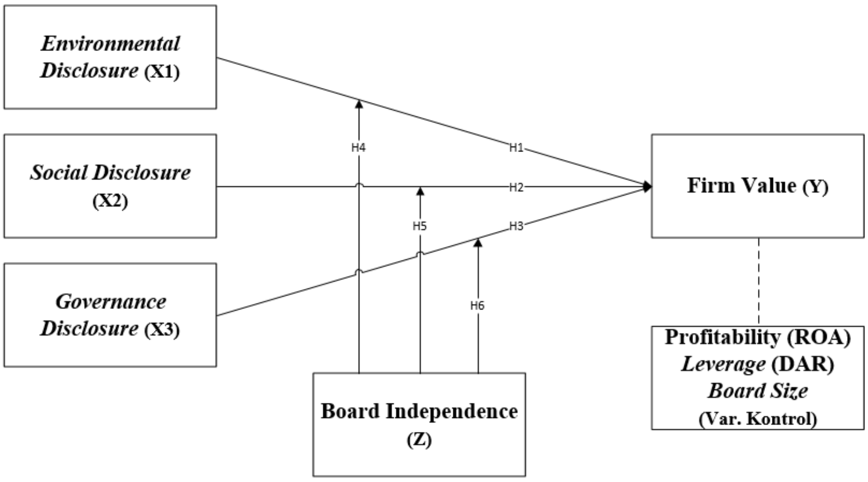
The panel data regression model used in this study is formulated as follows.

$$NP\ (Tobin'sQ) = \alpha + \beta_1 ED + \beta_2 SD + \beta_3 GD + (\beta_4 ED * KI) + (\beta_4 SD * KI) + (\beta_5 GD * KI) + \beta_7 ROA + \beta_8 LEV + \beta_9 BSIZE + \varepsilon$$

NP = Firm Value
α = Constant
β = Regression Coefficient
ED = Environmental Disclosure
SD = Social Disclosure
GD = Governance Disclosure
KI = Independent Commissioners
ROA = Return on Assets
LEV = Leverage
BSIZE = Board Size

The relationships among the variables in this study are presented in the research design shown in the following figure.

Figure 1. Research Design



Source: *Processed data (2026)*

3. RESULTS AND DISCUSSION

3.1. Sample Profile and Research Observations

The sample selection process shown in Table 1 indicates that, of the 255 initial observations of companies included in the SRI-KEHATI index during the 2020–2024 period, 23 observations were excluded because they did not have complete ESG data in the Bloomberg terminal. In addition, 5 further observations were excluded due to the unavailability of data on the control variables. Thus, the final number of observations used in this study is 227 observations in the form of unbalanced panel data. These observations comprise companies that met the sample criteria and had the data required for testing throughout the research period.

Table 1. Details of Sample Size and Observations

No	Description	Number of Observations
1	Companies listed in the SRI-KEHATI Index in 2020–2024	255
2	Companies that did not report ESG data	(23)
3	Companies with incomplete data (variables other than ESG)	(5)

No	Description	Number of Observations
	Total Companies and Observations (Sample)	**227**

Source: *Processed data (2026)*

3.2. Data Characteristics and Descriptive Statistics

Descriptive statistical analysis is used to provide a general overview of the characteristics of the research data through statistical measures, namely the number of observations (observation), the average value (mean), the standard deviation (standard deviation), the minimum value (minimum), and the maximum value (maximum). The results of the descriptive statistical analysis in this study are presented in the following table.

Table 2. Descriptive Statistics Results

Variable	***Observation***	***Mean***	***St Dev***	***Min***	***Max***
Tobin's Q	227	1.507	1.391	0.500	11.779
Environmental Disclosure (ED)	227	38.530	15.643	4.259	76.925
Social Disclosure (SD)	227	38.823	9.652	13.785	64.450
Governance Disclosure (GD)	227	84.070	9.651	50.873	96.117
Independent Commissioners (KI)	227	0.474	0.145	0.000	1.000
Return on Assets (ROA)	227	0.057	0.066	-0.108	0.349
Debt to Asset Ratio (DAR/LEV)	227	0.536	0.281	0.093	2.500
Board Size (BSIZE)	227	2.258	0.400	0.693	3.045

Source: *Processed data (2026)*

Based on the descriptive statistics results in Table 2, this study uses 227 observations. Firm value, proxied by Tobin's Q, has an average of 1.507, a standard deviation of 1.391, a minimum value of 0.500, and a maximum of 11.779. The environmental disclosure (ED) variable has an average of 38.530, a standard deviation of 15.643, a minimum of 4.259, and a maximum of 76.925. The social disclosure (SD) variable has an average of 38.823, a standard deviation of 9.652, a minimum of 13.785, and a maximum of 64.450. Meanwhile, governance disclosure (GD) has an average of 84.070, a standard deviation of 9.651, a minimum of 50.873, and a maximum of 96.117. These results indicate that the governance disclosure dimension has the highest average compared to the environmental and social dimensions.

The independent commissioners (KI) variable has an average of 0.474, a standard deviation of 0.145, a minimum of 0.000, and a maximum of 1.000. The control variables used in this study consist of ROA, DAR, and board size. ROA has an average of 0.057, a standard deviation of 0.066, a minimum of -0.108, and a maximum of 0.349. DAR has an average of 0.536, a standard deviation of 0.281, a minimum of 0.093, and a maximum of 2.500. Furthermore, board size (BSIZE) has an average of 2.258, a standard deviation of 0.400, a minimum of 0.693, and a maximum of 3.045. Overall, the descriptive statistics results indicate variation in the data across each research variable during the observation period.

3.3. Model Fit Test

To ensure that the panel data regression model used is appropriate for the characteristics of the research data, a series of model fit tests were conducted systematically. The selection among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) was carried out through the Chow Test, the Lagrange Multiplier (LM) Test, and the Hausman Test (Baltagi, 2021; Cameron & Trivedi, 2022).

Table 3. Model Fit Test Results

No	Regression Model	Chow Test (p-value)	LM Test (p-value)	Hausman Test (p-value)	Selected Model
1	Tobin's Q = ED + ROA + DAR + BSIZE	9.06 (0.000)	102.14 (0.000)	35.76 (0.000)	FEM
2	Tobin's Q = SD + ROA + DAR + BSIZE	8.82 (0.000)	116.18 (0.000)	22.97 (0.000)	FEM
3	Tobin's Q = GD + ROA + DAR + BSIZE	8.96 (0.000)	115.67 (0.000)	24.54 (0.000)	FEM
4	Tobin's Q = ED + KI + ED×KI + ROA + DAR + BSIZE	8.45 (0.000)	77.19 (0.000)	36.55 (0.000)	FEM
5	Tobin's Q = SD + KI + SD×KI + ROA + DAR + BSIZE	8.24 (0.000)	92.20 (0.000)	7.68 (0.175)	REM
6	Tobin's Q = GD + KI + GD×KI + ROA + DAR + BSIZE	8.34 (0.000)	91.58 (0.000)	12.17 (0.033)	FEM

Source: *Processed data (2026)*

Based on the model fit test results in Table 4, the selection of the panel data regression model was carried out through the Chow Test, the Lagrange Multiplier (LM) Test, and the Hausman Test. The results of the Chow Test for all models show a p-value of 0.000 (< 0.05), so the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). Subsequently, the results of the LM Test for all models also show a p-value of 0.000 (< 0.05), so the Random Effect Model (REM) is more appropriate than the CEM.

The final model was determined based on the Hausman Test. The test results show that models (1), (2), (3), (4), and (6) have p-values of less than 0.05, so FEM was selected as the most appropriate model. Meanwhile, model (5) has a p-value of 0.175 (> 0.05), so REM is more appropriate for that model. However, because most models show consistency with FEM, the regression analysis for models (1) through (6) was conducted using FEM in order to keep the analytical approach consistent.

3.4. Data Quality Test and Handling of Classical Assumption Violations

Although FEM is able to control for unobserved heterogeneity across companies, panel data remains potentially subject to violations of classical assumptions, particularly heteroskedasticity and autocorrelation. This condition can cause standard errors to become biased, thereby reducing the validity of statistical inference. Therefore, this study conducted

ECBIS ECONOMICS AND BUSINESS JOURNAL
Vol. 4 No. 6 (2026)
e-ISSN: 2963-7589
Economic and Business Journal | ECBIS
https://ecbis.net/index.php/go/index

systematic data quality tests and applied appropriate remedies when assumption violations were found.

Table 4. Multicollinearity Test (Variance Inflation Factor)

Variable	Model (1) ED	Model (2) SD	Model (3) GD
ED	1.110	-	-
SD	-	1.100	-
GD	-	-	1.070
KI	1.190	1.180	1.190
ROA	1.230	1.200	1.200
DAR	1.380	1.360	1.360
BSIZE	1.020	1.090	1.060

Source: *Processed data (2026)*
Note: All VIF values < 10 (free of multicollinearity)

Table 5. Heteroskedasticity Test (Modified Wald Test) & Autocorrelation Test (Wooldridge Test)

No	Model	Het. (*Prob > Chi2*)	Het. Conclusion	Auto. (*Prob > F*)	Auto. Conclusion
1	Model 1 (ED)	0.000	Heteroskedasticity Present	0.001	Autocorrelation Present
2	Model 2 (SD)	0.000	Heteroskedasticity Present	0.001	Autocorrelation Present
3	Model 3 (GD)	0.000	Heteroskedasticity Present	0.001	Autocorrelation Present
4	Model 4 (ED×KI)	0.000	Heteroskedasticity Present	0.001	Autocorrelation Present
5	Model 5 (SD×KI)	0.000	Heteroskedasticity Present	0.001	Autocorrelation Present
6	Model 6 (GD×KI)	0.000	Heteroskedasticity Present	0.000	Autocorrelation Present

Source: *Processed data (2026)*
Note: The presence of heteroskedasticity and autocorrelation was addressed by estimating with Clustered Robust Standard Errors.

Based on the multicollinearity test results in Table A, all variables have VIF values ranging from 1.020 to 1.380. These values are far below the general threshold of 10, so it can be concluded that the research model does not exhibit symptoms of multicollinearity.

Next, Table B presents the results of the heteroskedasticity and autocorrelation tests. The heteroskedasticity test results using the Modified Wald Test show that all models have a Prob > Chi2 value of 0.000 (< 0.05), indicating that the research model is affected by heteroskedasticity. Meanwhile, the autocorrelation test results using the Wooldridge Test show a Prob > F value of less than 0.05 for all models, namely 0.001 for models (1) through (5) and 0.000 for model (6). These results indicate that all models also exhibit autocorrelation.

To address heteroskedasticity and autocorrelation, this study uses robust standard errors in the regression estimation. This approach is intended to ensure that the standard errors, t-test values, p-values, and confidence intervals can still be validly interpreted. Thus, the regression model can still be used for further hypothesis testing.

3.5. Hypothesis Testing and Result Interpretation

Table 6 presents the results of hypothesis testing regarding the effect of each ESG disclosure dimension on firm value and the moderating role of independent commissioners. The testing was carried out using six regression models with the Fixed Effect Model (FEM) and clustered robust standard errors.

Table 6. Hypothesis Test Results

Variable	(1) ED	(2) SD	(3) GD	(4) ED×KI	(5) SD×KI	(6) GD×KI
ED	-0.012** *(0.005)*			-0.031** *(0.017)*		
SD		-0.158*** *(0.006)*			-0.034* *(0.020)*	
GD			-0.017** *(0.007)*			-0.060** *(0.278)*
KI				-1.976* *(1.450)*	-1.710 *(1.530)*	-7.488** *(4.111)*
ED × KI				0.413* *(0.313)*		
SD × KI					0.039 *(0.036)*	
GD × KI						0.087** *(0.047)*
ROA	10.050*** *(3.279)*	10.052*** *(3.342)*	10.321*** *(3.382)*	9.901*** *(3.261)*	9.990** *(3.364)*	10.314*** *(3.387)*
DAR	1.838*** *(0.141)*	1.886*** *(0.168)*	1.920*** *(0.175)*	1.846*** *(0.128)*	1.871*** *(0.158)*	1.947*** *(0.170)*
BSIZE	0.189 *(0.281)*	0.213 *(0.285)*	0.273 *(0.276)*	0.326 *(0.330)*	0.254 *(0.295)*	0.291 *(0.276)*
Constant	-0.032 *(0.762)*	0.512 *(0.680)*	0.727 *(0.747)*	0.589 *(0.813)*	0.772 *(1.021)*	4.346 *(2.310)*
R^2 Within	0.413	0.402	0.409	0.427	0.406	0.433
F-Statistic (Robust)	64.92***	44.12***	38.93***	49.99***	34.12***	33.36***
Observations	227	227	227	227	227	227

Source: *Processed data (2026)*
*Note: Values in parentheses are Clustered Standard Errors (TICKER). *** p < 0.01; ** p < 0.05; * p < 0.1.*

The test results in Table 6 show that environmental disclosure has a negative and significant effect on firm value, with a coefficient of -0.012 at the 5% significance level. Thus, Ha1 is rejected because the direction of the effect obtained contradicts the hypothesis. This finding indicates that increased environmental disclosure has not yet been perceived by the market as a positive signal, but may instead be viewed as a cost or implementation risk that has not yet provided a direct economic benefit.

Social disclosure also shows a negative and significant effect on firm value, with a coefficient of -0.158 at the 1% significance level. This result causes Ha2 to be rejected because the effect found runs contrary to the proposed hypothesis. This finding indicates that disclosure of social aspects has not been fully appreciated by investors, possibly because social activities are still viewed as an expense burden that has not yet been able to increase firm value in the short term.

Furthermore, governance disclosure has a negative and significant effect on firm value, with a coefficient of -0.017 at the 5% significance level. Therefore, Ha3 is rejected. This result indicates that increased governance disclosure is not always received by the market as a positive signal, particularly when the information disclosed has not been sufficiently convincing to investors regarding the quality of the company's governance implementation.

In the moderation test, the interaction between environmental disclosure and independent commissioners shows a positive coefficient of 0.413 and is significant at the 10% level. Thus, Ha4 is accepted. This positive coefficient indicates that independent commissioners are able to weaken the negative effect of environmental disclosure on firm value. This means that the higher the proportion of independent commissioners, the smaller the negative impact of environmental disclosure on firm value.

In contrast to this result, the interaction between social disclosure and independent commissioners has a positive coefficient of 0.039, but is not significant. Thus, Ha5 is rejected. This result indicates that independent commissioners have not been able to moderate the relationship between social disclosure and firm value. This means that the presence of independent commissioners is not strong enough to change the market's response to a company's social disclosure.

Meanwhile, the interaction between governance disclosure and independent commissioners shows a positive coefficient of 0.087 and is significant at the 5% level. Thus, Ha6 is accepted. This result indicates that independent commissioners are able to weaken the negative effect of governance disclosure on firm value. This finding indicates that the monitoring function of independent commissioners is more effective in enhancing the credibility of governance disclosure.

Overall, the research results indicate that all three ESG disclosure dimensions have a negative effect on firm value. However, independent commissioners are shown to be able to positively moderate the relationship between environmental disclosure and governance disclosure with firm value, but not the relationship between social disclosure and firm value. This finding indicates that the monitoring function of independent commissioners is more effective for ESG dimensions that are relatively more measurable and easier to verify, namely the environmental and governance aspects.

Discussion

The Effect of Environmental Disclosure, Social Disclosure, & Governance Disclosure on Firm Value

1. The Effect of Environmental Disclosure on Firm Value

The test results show that environmental disclosure has a negative and significant effect on firm value. This finding indicates that increased environmental disclosure has not been fully perceived by investors as a positive signal capable of increasing firm value.

From the perspective of stakeholder theory, environmental disclosure should serve as a means for companies to meet stakeholders' information needs regarding the management of environmental impacts, resource efficiency, emissions control, and compliance with sustainability principles. However, the results of this study indicate that this mechanism has not been functioning optimally. Investors may not only assess the extent of the environmental information disclosed, but also consider its credibility, measurability, and economic benefit.

From the perspective of agency theory, this negative effect may occur because environmental disclosure has not yet been able to reduce information asymmetry between management and investors. Environmental information that is merely formal, symbolic, or unaccompanied by concrete performance evidence can raise market doubts. In addition, extensive environmental disclosure may be perceived as a consequence of rising sustainability costs, such as waste management costs, energy efficiency, certification, regulatory compliance, or investment in environmentally friendly technology, which may put pressure on profitability in the short term.

This finding is in line with Megananda & Prastiwi (2022), who found that environmental disclosure has a negative and significant effect on firm value. This result is also consistent with Prasetyo et al. (2025), who show that ESG components, including the environmental aspect, have not been proven to increase firm value among KOMPAS100 companies in Indonesia. In addition, Saraswati et al. (2025) explain that greenwashing practices can reduce the quality of ESG information and weaken the market's positive response. However, this result differs from Mohammad & Wasiuzzaman (2021), who found that ESG disclosure can improve firm performance in Malaysia. These differences indicate that the effect of sustainability disclosure is highly dependent on the institutional context, regulatory quality, investors' level of understanding, and the credibility of the information disclosed.

Thus, environmental disclosure in this study has not been able to increase firm value. The market has not yet fully appreciated environmental disclosure when the information is not clearly linked to cost efficiency, reduction of environmental risk, improved reputation, and the company's financial performance.

2. The Effect of Social Disclosure on Firm Value

The test results show that social disclosure has a negative and significant effect on firm value. This finding indicates that increased social disclosure has not been perceived by the market as information capable of increasing firm value.

Based on stakeholder theory, social disclosure should be able to increase legitimacy and stakeholder trust through information about the company's responsibility toward employees, customers, communities, suppliers, human rights, occupational health and safety, and corporate social programs. However, the results of this study indicate that these benefits have not been fully capitalized on by the market. Investors may not yet regard social disclosure as a factor that directly increases the company's profit prospects or market value.

From the perspective of agency theory, social disclosure that is general, narrative, and unaccompanied by measurable performance indicators can raise doubts about the substance of the information conveyed. Investors may consider that social disclosure only serves to fulfill reporting obligations or as a legitimation strategy, rather than as a performance signal relevant to investment decisions. In addition, social activities such as employee training, occupational safety, community programs, and product responsibility require costs that may be perceived as a burden in the short term.

This finding is in line with Jamal et al. (2025), who show that social disclosure can have a negative effect on firm value when social initiatives are not aligned with business strategy and do not provide commensurate benefits for shareholders. This result is also consistent with Prabawati & Rahmawati (2022), who found that the environmental and social pillars have a negative effect on firm value among public companies in ASEAN. In addition, Hutabarat & Hersugondo (2026) show that social disclosure has not been proven to have a strong relationship with firm value because social information has not been perceived as a new signal relevant to investors.

In the context of companies in the SRI-KEHATI index for the 2020–2024 period, this negative effect may occur because the market already has an initial expectation that companies in this index have implemented good sustainability practices. Therefore, an increase in social disclosure is not always regarded as an additional competitive advantage. New social disclosure will have informative value if it is accompanied by concrete indicators, such as employee retention, labor productivity, reduction in workplace accidents, customer satisfaction, and the effectiveness of social programs.

3. The Effect of Governance Disclosure on Firm Value

The test results show that governance disclosure has a negative and significant effect on firm value. This finding indicates that increased governance disclosure is not necessarily perceived by investors as a positive signal capable of increasing firm value.

Theoretically, this result is not entirely consistent with stakeholder theory and agency theory. Based on stakeholder theory, governance disclosure should serve as a means for companies to meet information needs regarding transparency, accountability, compliance, and governance quality. Meanwhile, based on agency theory, governance disclosure should be able to reduce information asymmetry and conflicts of interest between management and shareholders. However, the negative result indicates that the market does not always regard governance disclosure as evidence of the effectiveness of corporate governance.

There are several possible explanations for this finding. First, investors may view governance disclosure as compliance disclosure, i.e., disclosure made to meet regulatory demands rather than as concrete evidence of improved governance quality. Second, the more extensive the governance information disclosed, the greater the likelihood that investors will find information about organizational complexity, compliance risk, potential conflicts of interest, or weaknesses in monitoring mechanisms. Third, governance information is often structural and procedural in nature, so its economic benefits are not always directly visible in the short term.

This finding is in line with Suretno et al. (2022), who found that governance disclosure has a negative and significant effect on firm value among companies listed on the Indonesia Stock Exchange for the 2016–2020 period. This result is also consistent with Prabawati & Rahmawati (2022), who show that ESG scores have a negative effect on firm value among companies in ASEAN countries. However, this finding differs from Fuadah et al. (2022), Wu et al. (2022), and Rohendi et al. (2024), who show that ESG disclosure can increase firm value through increased transparency, stakeholder trust, and competitive advantage.

In the context of SRI-KEHATI companies, this negative result can be explained by the already-high market expectations for companies included in a sustainability-based index. Investors may regard governance disclosure as something companies are already expected to have, rather than as new information that signals an advantage. Therefore, governance disclosure does not automatically increase firm value unless it demonstrates a real impact on monitoring effectiveness, risk management, operational efficiency, and improved company performance.

Thus, governance disclosure needs to be presented in a more substantive, measurable, and impact-oriented manner. Governance information should not only cover board structure, committees, codes of conduct, or regulatory compliance, but should also demonstrate monitoring effectiveness, risk mitigation, internal control quality, shareholder protection, and governance's contribution to firm value creation.

The Role of Independent Commissioners in Moderating the Relationship Between Environmental Disclosure, Social Disclosure, & Governance Disclosure and Firm Value

1. The Role of Independent Commissioners in Moderating the Relationship Between Environmental Disclosure and Firm Value

The test results show that independent commissioners are able to positively moderate the relationship between environmental disclosure and firm value. The positive interaction coefficient indicates that the higher the proportion of independent commissioners, the weaker the negative effect of environmental disclosure on firm value. This means that the presence of independent commissioners can improve investors' perception of environmental disclosure, which had previously not been fully regarded by the market as a positive signal.

This finding is in line with agency theory, which explains that independent commissioners serve as a monitoring mechanism to reduce conflicts of interest and information asymmetry between management and investors. In the context of environmental disclosure, management may have an incentive to disclose environmental information extensively in order to build a positive corporate image, even though such information may not necessarily reflect substantive environmental performance. The presence of independent commissioners can increase the credibility of this information through a more objective monitoring function.

This finding can also be explained through stakeholder theory. Environmental disclosure is a form of corporate accountability to stakeholders regarding the management of emissions, energy efficiency, waste, resource conservation, and environmental risk. However, the effectiveness of such disclosure is highly dependent on stakeholders' trust in the quality of the information conveyed. Independent commissioners can strengthen this trust because they signal that environmental information is being monitored by a party that is relatively independent from management.

This result is consistent with Setiawan et al. (2026), who found that board independence strengthens the relationship between ESG disclosure and firm value in Indonesia. This finding is also in line with Lavin & Montecinos-Pearce (2021), who show that board independence has a positive effect on the level of ESG disclosure. In addition, Fuadah et al. (2022) and Metwally et al. (2025) also confirm that the effectiveness of ESG disclosure in increasing firm value is highly dependent on governance mechanisms capable of ensuring transparency, accountability, and information credibility.

Thus, independent commissioners in this study function as a mechanism that weakens the negative impact of environmental disclosure on firm value. This shows that environmental disclosure will be more valuable to the market if it is supported by credible monitoring and information that is presented concretely, measurably, and verifiably.

2. The Role of Independent Commissioners in Moderating the Relationship Between Social Disclosure and Firm Value

The test results show that independent commissioners are not able to moderate the relationship between social disclosure and firm value. Although the SD×KI interaction coefficient is positive, the effect is not statistically significant, so it cannot be concluded that independent commissioners are able to strengthen the relationship between social disclosure and firm value.

This finding indicates that the presence of independent commissioners is not yet strong enough to make social disclosure more valuable information in the eyes of investors. From the perspective of agency theory, independent commissioners should be able to ensure that the social information disclosed by a company is not merely symbolic, but reflects substantive social responsibility practices. However, the results of this study indicate that this monitoring function has not yet been effective in changing the market's response to social disclosure.

This may occur because social information has characteristics that are more qualitative, longer-term, and more difficult to verify compared to environmental and governance aspects. Social disclosure covers information regarding employees, occupational safety, human rights, training, diversity, community relations, and social contributions. The benefits of these aspects are not always directly reflected in profitability, cash flow, or the company's market value. Therefore, investors may not yet regard social disclosure as information with a direct economic impact.

From the perspective of stakeholder theory, social disclosure remains important because it can demonstrate the company's responsibility toward stakeholders. However, the reputational benefits of social disclosure are not necessarily immediately reflected in Tobin’s Q. Among companies in the SRI-KEHATI index, social disclosure may also be regarded as a minimum expectation, since companies within that index have already been associated with sustainability practices. As a result, additional social information does not always serve as a strong differentiating signal for investors.

This finding is in line with Nurjanah & Arifa (2023), who show that CSR disclosure can reduce firm value if its implementation is not supported by adequate planning and management. This result is also consistent with Hutabarat & Hersugondo (2026), who found that social disclosure and its interaction with board characteristics have no significant effect on firm value. However, this result differs from Li et al. (2018), who found that ESG disclosure, including the social aspect, is positively related to firm value. These differences indicate that market responses to social disclosure are highly dependent on market context, information quality, and the maturity level of ESG practices.

Thus, the results of this study do not imply that social disclosure and independent commissioners are unimportant, but rather show that they have not yet worked effectively together as a combination of mechanisms capable of increasing firm value. To be more valuable to investors, social disclosure needs to be presented in a more measurable way through indicators such as employee retention, labor productivity, workplace accident rates, customer satisfaction, and the impact of social programs.

3. The Role of Independent Commissioners in Moderating the Relationship Between Governance Disclosure and Firm Value

The test results show that independent commissioners positively moderate the relationship between governance disclosure and firm value. Given that governance disclosure directly has a negative effect on firm value, the positive interaction coefficient indicates that the presence of independent commissioners can weaken this negative impact. The higher the proportion of independent commissioners, the smaller the negative effect of governance disclosure on firm value.

This finding shows that governance disclosure does not automatically increase firm value. Information regarding board structure, committees, risk management, internal control systems, business ethics, compliance, and protection of shareholder rights will only be valuable to investors if it is supported by a credible monitoring mechanism. In this regard, independent commissioners play an important role because they can ensure that governance disclosure is not merely formalistic, but reflects governance practices that are genuinely implemented by the company.

This result is in line with agency theory, which emphasizes the importance of monitoring mechanisms in reducing conflicts of interest and information asymmetry between management and shareholders. In the context of governance disclosure, management may disclose governance information extensively to build a transparent and accountable image, even though this does not necessarily reflect the true effectiveness of governance. Independent commissioners serve as a monitoring mechanism that can increase the credibility of this information.

This finding is also in line with stakeholder theory. Stakeholders need not only extensive governance information, but also information that can be trusted. The presence of independent commissioners signals that the processes of monitoring, decision-making, reporting, and information disclosure are carried out more objectively and accountably. Thus, independent commissioners can be regarded as a credibility enhancer for governance disclosure.

The results of this study are consistent with Iskandar et al. (2024), who found that the proportion of independent commissioners is able to strengthen the relationship between the quality of sustainability disclosure and firm value. This finding is also supported by Qurniasih et al. (2024), Fuadah et al. (2022), and Lavin & Montecinos-Pearce (2021), who emphasize the importance of independent governance mechanisms in improving the quality and credibility of ESG disclosure. On the other hand, this result also extends the findings of Suretno et al. (2022), who found that governance disclosure has a negative effect on firm value, by showing that this negative impact can be weakened if a company has a higher proportion of independent commissioners.

In the context of companies in the SRI-KEHATI index for the 2020–2024 period, this finding shows that a company's status as part of a sustainability index does not automatically make governance disclosure perceived positively by investors. Investors still assess whether the governance information disclosed truly reflects good corporate governance practices. Therefore, the effectiveness of governance disclosure in influencing firm value is determined not only by the extent of disclosure, but also by the quality of the monitoring underlying that disclosure.

Theoretical & Practical Implications

1. Theoretical Implications

The results of this study provide the theoretical implication that the relationship between ESG disclosure and firm value is not always positive, but instead depends on market context, information quality, and investor perception. The findings that environmental disclosure, social disclosure, and governance disclosure have a significant negative effect on firm value indicate that ESG disclosure may be perceived as a potential cost, risk, or form of formal compliance when it is not yet supported by substantive implementation.

From the perspective of stakeholder theory, ESG disclosure should serve as a means for companies to meet stakeholders' information needs and obtain legitimacy. However, the results of this study show that the extent of disclosure alone is not sufficient to increase firm value. Meanwhile, from the perspective of agency theory, ESG disclosure is expected to reduce information asymmetry, but disclosure that lacks credibility can instead raise market skepticism.

The moderation results show that independent commissioners are able to weaken the negative effect of environmental disclosure and governance disclosure on firm value, but not that of social disclosure. This finding confirms that the effectiveness of monitoring mechanisms is not uniform across all ESG dimensions, but is stronger for aspects that are relatively more measurable and easier to verify.

2. Practical Implications

For companies, the results of this study show that ESG disclosure needs to be presented in a more concrete, measurable manner that is relevant to value creation. It is not sufficient for companies merely to increase the extent of disclosure; they also need to ensure that the ESG information conveyed reflects genuine implementation that can be trusted by investors. In addition, the role of independent commissioners needs to be strengthened so that the monitoring function over sustainability disclosure can operate more effectively.

For investors, ESG disclosure cannot be used as the sole basis for investment decision-making. Investors need to assess the quality, consistency, credibility, and relevance of ESG information in relation to the company's financial performance and governance. For regulators and managers of sustainability indices, these results indicate the need to strengthen ESG reporting standards that emphasize the quality, comparability, verification, and measurability of information so that the risk of greenwashing can be minimized. Overall, ESG disclosure can only become a positive signal for the market if it is supported by genuine implementation, credible information, and effective governance mechanisms.

4. CONCLUSION

This study aims to examine the effect of environmental disclosure, social disclosure, and governance disclosure on firm value, as well as the role of independent commissioners as a moderating variable. The object of this study is companies included in the SRI-KEHATI index for the 2020–2024 period, with 227 unbalanced panel data observations. Firm value is measured using Tobin’s Q.

The results show that environmental disclosure, social disclosure, and governance disclosure have a negative and significant effect on firm value. This finding indicates that ESG disclosure among SRI-KEHATI companies has not yet been fully perceived by the market as a positive signal, but can still be regarded as a potential cost, risk, or form of formal compliance if it is not accompanied by clear evidence of implementation and economic benefit.

In the moderation test, independent commissioners were shown to be able to positively moderate the relationship between environmental disclosure and governance disclosure with firm value. This means that the presence of independent commissioners is able to weaken the negative effect of environmental and governance disclosure on firm value by increasing information credibility and monitoring functions. However, independent commissioners are not able to moderate the relationship between social disclosure and firm value. This indicates that social disclosure is likely more influenced by the quality of implementation and the tangible impact of social programs, rather than solely by formal monitoring structures.

This study has several limitations. First, the object of the study only covers companies in the SRI-KEHATI index, so the results cannot yet be generalized to all companies in the Indonesian capital market. Second, the study period is limited to 2020–2024, a period influenced by post-pandemic dynamics and economic uncertainty. Third, ESG measurement uses disclosure data, so it does not yet fully reflect the quality of implementation and the actual impact of companies' ESG practices.

Based on these limitations, future research is recommended to expand the research object to companies outside the SRI-KEHATI index and to extend the observation period so that the results obtained are more generalizable. In addition, future research could consider other ESG measures, disclosure quality, impact-based indicators, and additional variables such as macroeconomic conditions, industry characteristics, or other governance mechanisms in order to make the analysis of the relationship between ESG disclosure and firm value more comprehensive.

For companies, the results of this study emphasize the importance of improving the quality and credibility of ESG disclosure, not merely its extent. For investors and regulators, these findings indicate the need for a more critical assessment of the relationship between ESG disclosure, genuine implementation, and firm value creation.

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