

The Influence of Sustainability Report Disclosure Against Company Value with Profitability as Moderating Variables (For Companies Listed in the Lq45 Index for the 2021-2025 Period)

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ABSTRACT

Companies are not only economically responsible to shareholders, but also need to pay attention to the interests of stakeholders and the environmental conditions around the place where the company operates. This study aims to examine the effect of Sustainability Report Disclosure on firm value and analyze the role of profitability as a moderating variable in companies listed in the LQ45 index for the 2021–2025 period. This study uses a quantitative approach with secondary data. The sample was selected using a purposive sampling method, obtaining 23 companies with 115 observations during the study period. Data analysis was performed using multiple linear regression and Moderated Regression Analysis (MRA). The results show that Sustainability Report Disclosure has a negative and significant effect on firm value. Profitability has a positive and significant effect on firm value. Furthermore, profitability has been shown to moderate by weakening the effect on firm value. The results show that increasing sustainability disclosure does not necessarily provide added value to a company in the short term, while profitability is an important factor in increasing firm value.

Keywords: Sustainability Report Disclosure, Profitability, Company Value, Tobin's Q, Return on Assets, LQ45.

INTRODUCTION

Environmental damage resulting from corporate operations has prompted demands for companies to demonstrate sustainable performance encompassing economic, environmental, and social aspects. Companies are not only economically responsible to shareholders but also need to consider the interests of stakeholders and the environmental conditions surrounding their operations. (Romli & Reza Zaputra, 2022) This aligns with the Triple Bottom Line concept,

which views a company's success not only as a matter of profit, but also as a matter of responsibility to society (people) and the environment (planet). One example of an environmental issue occurred at PT Indah Kiat Pulp & Paper Tbk in Koto Gosib, Riau, demonstrating the importance of corporate attention to environmental and community impacts. This situation can impact stakeholder trust, company value, and business sustainability.

Company value reflects stakeholders' expectations regarding the company's future prospects and sustainability, as reflected in its ability to manage its operational activities. Company value is also a consideration for investors when making investment decisions and is reflected in stock price movements on the capital market. Increases in stock prices generally indicate an increase in the company's value in the eyes of the market. (Dwi Jayanti et al., 2024) This study used companies listed in the LQ45 index as the objects of interest due to their high liquidity, large market capitalization, and relatively strong fundamental characteristics. However, LQ45 status does not guarantee a company will consistently achieve a high market valuation. Research data shows that the average Tobin's Q decreased from 2.02 in 2021 to 1.37 in 2025, with an overall average of 1.71. Some companies even had Tobin's Q values <1 (undervalued) at the end of the study period. (Lautania et al., 2026) Undervaluation occurs when the market values a company's assets below their value. This indicates that investors consider not only index status and financial performance but also information reflecting the company's sustainability prospects. The value of companies listed in the LQ45 index for the 2021-2025 period can be seen as follows:

Table 1. Company Value Data (Tobin's Q) of Several Companies Listed in the LQ45 Index for the 2021-2025 Period

No	Company Code	2021	2022	2023	2024	2025
1	ASII	1.04	1.01	0.95	0.84	0.98
2	BBNI	1.00	1.03	1.04	1.00	0.99
3	BBTN	0.95	0.92	0.91	0.90	0.90
4	BMRI	0.96	1.01	1.02	0.99	0.95
5	INDF	0.82	0.81	0.77	0.79	0.72
6	INKP	0.79	0.74	0.72	0.65	0.67
7	ITMG	1.16	1.32	1.04	0.97	0.82
8	MEDC	1.13	1.00	0.83	0.82	0.96
9	SMGR	1.07	0.97	0.94	0.66	0.61

Source: Processed data, 2026

Current developments in accounting no longer only focus on financial reports, but also include information regarding environmental and social impacts related to company activities. (Kustinah, 2022) This information can be conveyed through sustainability report disclosure, which describes the company's performance and impact on economic, environmental, and social aspects. Disclosure of information helps investors and stakeholders assess the company more comprehensively and serves as a means of communication regarding the company's sustainability performance. From a stakeholder theory perspective, sustainability report disclosure is a form of corporate responsibility to stakeholders interested in the company's activities. Theoretically, the relationship between Sustainability Report Disclosure and company value can be explained through legitimacy theory and signaling theory. Legitimacy theory underlies sustainability disclosure as a company's effort to gain and maintain social acceptance. Meanwhile, signaling theory serves as the foundation for explaining company value, as sustainability information can signal management quality, risk management capabilities, and company prospects, which can influence investor assessments. Thus, legitimacy theory supports the importance of sustainability report disclosure, while signaling theory explains its relationship to company value.

However, the relationship between Sustainability Report Disclosure and company value has not yielded consistent conclusions. Some studies indicate that sustainability disclosure provides economic benefits to companies. Jawas & Sulfitri, (2022), Hafitri & Gilang, (2025) and Tahmid et al. (2022) found a positive influence on firm value, while Amin et al. (2023) found a negative relationship. Wu and Chang (2022) also showed that the relationship between ESG and firm value is nonlinear, so ESG benefits do not always increase proportionally with increasing levels of disclosure. Meanwhile, Kaupke and zu Knyphausen-Aufseß (2023) even showed that the relationship between sustainability and firm value can be negative, especially when the costs and consequences of sustainability outweigh the economic benefits obtained. Nampoothiri et al. (2024) also found that mandatory sustainability disclosures had no significant effect on aggregate firm value. These differences in results indicate that sustainability disclosures do not necessarily translate into increased firm value by the market and are likely influenced by company characteristics, information quality, financial condition, and investors' ability to interpret such information.

This study found a decoupling between increased sustainability report disclosure and firm value. The average disclosure increased from 0.49 in 2021 to 0.82 in 2025, with an overall average of 0.73, while firm value actually showed a downward trend. This provides the basis for re-examining whether investors truly perceive increased sustainability disclosure as information capable of increasing a company's economic value.

Besides Sustainability Report Disclosure, profitability is an important factor that can explain variations in company value. Profitability reflects a company's ability to generate profits using its resources and can signal the quality of corporate management. In this study,

profitability is proxied by Return on Assets (ROA). ROA is a financial ratio used to measure a company's ability to generate profits by utilizing its assets. (Ramadhan & Larasati, 2022) Research data shows that the average ROA of sample companies decreased from 7.77% in 2021 to 5.15% in 2025, with an overall average of 7.09%. Companies with high profitability theoretically have greater resources to finance sustainability activities and improve the quality of disclosure. Therefore, profitability not only has the potential to directly influence firm value but can also alter the strength of the relationship between sustainability report disclosure and firm value.

The positioning of profitability as a moderating variable is based on the argument that market responses to sustainability disclosures can differ across companies with varying financial conditions. In highly profitable companies, sustainability disclosures can be perceived as evidence of sufficient resources to implement sustainable practices. However, under certain conditions, high profitability can also make investors more sensitive to the costs of sustainability activities if the economic benefits are not yet apparent in the short term. Thus, profitability has the potential to either strengthen or weaken the influence of Sustainability Report Disclosure on company value.

Thus, the research gap in this study lies in the inconsistency of results regarding the effect of sustainability report disclosure on firm value, the limitations of studies examining profitability as a moderating variable, and the predominance of previous studies focusing on specific sectors or using relatively short observation periods. This study uses the GRI-based Sustainability Report Disclosure Index (SRDI) to measure the extent of sustainability report disclosure. The study's novelty also lies in the use of companies listed in the LQ45 index with cross-sector characteristics and the 2021–2025 period. This period is important because it represents the development of sustainability reporting practices in Indonesia within an increasingly evolving sustainability regulatory environment. Furthermore, it examines profitability as a condition that can alter the relationship between sustainability disclosure and firm value. The use of profitability as a moderating variable contributes to scientific understanding by broadening the understanding of financial conditions that can strengthen or weaken the market response to sustainability disclosure, so that the relationship is not only seen as a direct relationship.

Based on the above description, this study aims to analyze and test the effect of Sustainability Report Disclosure on firm value and examine the role of profitability as a moderating variable in companies listed in the LQ45 index for the 2021–2025 period. This study is expected to provide theoretical contributions in the application of legitimacy theory and signaling theory and provide empirical evidence regarding financial conditions that can change the relationship between sustainability disclosure and firm value. Practically, the research results are expected to be a consideration for companies in determining sustainability disclosure strategies that are not only oriented towards regulatory compliance, but also on

information quality and value creation, and help investors evaluate sustainability information by considering the company's profitability condition.

RESEARCH METHODS

This study uses a quantitative approach to examine the causal relationship between Sustainability Report Disclosure and firm value and analyzes the role of profitability as a moderating variable. This design was chosen because the study focuses on testing hypotheses formulated based on legitimacy theory and signaling theory through the examination of relationships between variables that can be measured numerically. Quantitative approaches are widely used in sustainability and firm value research because they allow researchers to empirically test the relationship between sustainability information, financial characteristics, and market response using company data across multiple observation periods (Abdi et al., 2022; Aydoğmuş et al., 2022). Previous research also shows that Tobin's Q and ROA are relevant proxies for representing a company's market value and financial performance in studies on sustainability and ESG (Aydoğmuş et al., 2022; Zhou et al., 2022).

The research objects are companies listed in the LQ45 index of the Indonesia Stock Exchange during the 2021–2025 period.

Table 2 Sample Selection with Purposive Sampling

No	Description	Number of Companies
1	Companies listed in the LQ45 index during the 2021-2025 period	71
2	Companies that are not listed in the LQ45 index consecutively during the 2021-2025 period	(46)
3	Companies listed in the LQ45 index consecutively and not publishing sustainability reports consecutively for the 2021-2025 period	(2)
4	Companies selected as samples during the 2021-2025 period	23
5	Research Period (Years)	5
6	Total sample during the study period	115

Source: Processed data, 2026

The data used is secondary data obtained from sustainability reports and annual financial reports of sample companies for 2021–2025. Sustainability reports are used to obtain information on the level of sustainability disclosure, while annual financial reports are used to obtain financial information needed to calculate profitability and company value. Market data related to stock prices and the number of shares outstanding are used in calculating the market

value of equity to obtain Tobin's Q. This company report-based approach is in line with previous sustainability disclosure research that conducted content analysis of sustainability reports to measure the level of sustainability disclosure (Angir & Weli, 2024). Furthermore, research on the informativeness of sustainability disclosure also uses corporate sustainability information combined with market data to test its relevance to company value (Purohit et al., 2021).

Hypothesis

1. The Influence of Sustainability Report Disclosure on Company Value

According to Jawas & Sulfitri (2022) and Hafitri et al. (2025) Sustainability Report Disclosure has a positive impact on company value. These results align with research conducted by Nariswari et al. (2025), which in its research explains that Sustainability Report Disclosure has a positive influence on company value.

H1: Sustainability Report Disclosure has a positive effect on company value.

2. Profitability to Company Value

According to Hasanudin & Pramono (2024), Simanjuntak et al. (2024) and Tyas & Prastiwi (2025) profitability has a significant positive influence on company value.

H2: Profitability has a significant positive effect on Company Value.

3. Profitability moderates the relationship between Sustainability Report Disclosure and Firm Value

According to Nisaih & Prijanto (2023), Budiana & Budiasih (2020) and Weli & Tamin (2025) profitability moderates and strengthens the relationship between Sustainability Report Disclosure and Company Value.

H3 : Profitability moderates and strengthens the relationship between Sustainability Report Disclosure and Company Value.

Research Variables

1. Sustainability Report Disclosure

Sustainability Report Disclosure(X) is measured using the Sustainability Report Disclosure Index (SRDI) with reference to the Global Reporting Initiative (GRI) Standards 2021 indicators. The GRI used are GRI 2 and 3 general measurements, GRI 201, 205, 301, 302, 303, 304, 305, 306, 401, 403, 404, 405, 413, 414, 416, 417, 418 with a total of 95 indicators. The use of these indicators is adjusted to the characteristics of the sample that covers various sectors in the LQ45 index, so that sector-specific indicators are not applied uniformly and only indicators relevant to each sector are used. The measurement is carried out using a dichotomous

scoring method, namely a score of 1 for disclosed indicators and a score of 0 for undisclosed indicators. The higher the SRDI value, the more extensive the company's sustainability information disclosure. Ningrum et al., (2021) The SRDI calculation formula is as follows:

$$SRDI = \frac{n}{k}$$

Notes:

n : number of items disclosed

k : number of indicator items

2. Company Values

Firm Value (Y) is proxied by Tobin's Q. The market value of equity is obtained from the share price multiplied by the number of shares outstanding. Thus, the formula used is Tobin's Q with the formula:

$$\text{Tobin's } Q = \frac{MVE + D}{TA}$$

The use of Tobin's Q as a proxy for firm value aligns with previous sustainability research, including Aydoğmuş et al. (2022), which used Tobin's Q to measure firm size and profitability. Research on sustainability disclosure also shows that Tobin's Q is widely used because it captures market perceptions of a company's growth prospects and intangible assets (Purohit et al., 2021).

3. Profitability

Profitability is used as a moderating variable (Z) and its direct influence on firm value is also tested. Profitability is proxied using Return on Assets (ROA), which indicates a company's ability to generate net income based on its total assets. ROA is calculated using the formula:

$$ROA = \frac{\text{Laba bersih}}{\text{Total asset}} \times 100$$

The use of ROA as a profitability indicator is consistent with empirical research on ESG that uses ROA as a measure of a company's financial performance (Aydoğmuş et al., 2022; Zhou et al., 2022). In this study, profitability is positioned as a moderator because a company's profitability can theoretically influence how investors interpret sustainability information. Companies with higher profit-generating capacity may have greater resources to implement sustainability practices, but spending on sustainability activities and reporting may also be perceived differently by the market depending on the company's financial condition. Arguments regarding the importance of company characteristics in shaping the relationship between

sustainability disclosure and firm value are also found in Abdi et al.'s (2022) research, although that study used company size and age as moderating variables.

Research model

The research hypothesis uses multiple regression equations and Moderated Regression Analysis (MRA) with the SPSS program as follows:

The first hypothesis was tested using multiple linear regression to examine the effect of Sustainability Report Disclosure and profitability on firm value. The basic regression model used can be formulated as follows:

$$Y = \alpha + \beta_1 X + \beta_2 Z + \varepsilon$$

Furthermore, testing for the moderation effect was conducted using Moderated Regression Analysis (MRA) by forming an interaction variable between Sustainability Report Disclosure and profitability. The moderation model is formulated as

$$Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 (X \times Z) + \varepsilon,$$

Notes:

X = Sustainability Report Disclosure

Y = Company Value

Z = Profitability

Before conducting multiple linear analysis and Moderated Regression Analysis (MRA), normality, multicollinearity, heteroscedasticity, and autocorrelation tests were first performed to ensure the feasibility of the regression model. The normality test examines the residual distribution, the multicollinearity test identifies high correlations between independent variables, the heteroscedasticity test examines the equality of residual variances, while the autocorrelation test is used to identify residual relationships between periods using the Durbin–Watson test. Classical assumption and hypothesis testing were performed at a 5% significance level.

RESULTS AND DISCUSSION

Descriptive analysis

used to describe the data characteristics of each variable through minimum, maximum, average, and standard deviation values. Based on the results of the SPSS test to determine the description of the average value information, it can be seen as follows:

Table 3. Descriptive Statistics of Research Variables

Variables	N	Minimum	Maximum	Mean	Standard Deviation
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<i>Sustainability Report Disclosure</i>	115	0.28	1.00	0.7317	0.17719
Company Values	115	0.51	10.57	1,7130	1.60285
Profitability	115	0.15	45.43	7,2796	8,20160

Source: SPSS 27 output, data processed 2026.

Classical Assumption Testing

The results of the classical assumption test indicate that the regression model meets the requirements for further testing. The Kolmogorov–Smirnov normality test yielded an Asymp. Sig. value of 0.200, greater than 0.05, indicating that the residuals are normally distributed. These results are further supported by the Normal Probability P-Plot graph, which shows that most of the points are located around the diagonal line.

The multicollinearity test showed a tolerance value of 0.986 and a VIF of 1.014 for Sustainability Report Disclosure and profitability. These values are within the limits indicating the absence of multicollinearity. The heteroscedasticity test using a scatterplot showed that the residuals were randomly distributed and did not form a specific pattern. The Glejser test also yielded a significance value of 0.415 for Sustainability Report Disclosure and 0.137 for profitability, both of which are greater than 0.05. Thus, the model does not exhibit symptoms of heteroscedasticity.

Furthermore, the Durbin-Watson value of 1.777 with a dU limit of 1.731 meets the criteria of $1.731 < 1.777 < 2.269$. Thus, the model does not show any symptoms of autocorrelation.

Table 4. Summary of Classical Assumption Tests

Testing	Mark	Criteria	Conclusion
Kolmogorov–Smirnov	0.200	> 0.05	Normal
Tolerance	0.986	> 0.10	There is no multicollinearity
VIF	1,014	< 10	There is no multicollinearity
Glejser – SRD	0.415	> 0.05	There is no heteroscedasticity
Glejser – Profitability	0.137	> 0.05	There is no heteroscedasticity
Durbin-Watson	1,777	$1,731 < DW < 2,269$	No autocorrelation occurs

Source: SPSS 27 output, data processed 2026.

Multiple Linear Regression Results

Multiple linear regression was used to test the effect of Sustainability Report Disclosure and profitability on firm value. The estimation results show a constant of 0.056, a Sustainability Report Disclosure coefficient of -1.537, and a profitability coefficient of 0.064. Thus, the regression equation can be written as follows:

$$Y = 0.056 - 1.537X + 0.064Z + e$$

The Sustainability Report Disclosure coefficient of -1.537 indicates a negative relationship with firm value. Conversely, profitability has a coefficient of 0.064, indicating a positive relationship.

Table 6. Multiple Linear Regression Results

Variables	B	Std. Error	Beta	t	Sig.
Constant	0.056	0.090	—	0.619	0.537
<i>Sustainability Report Disclosure</i>	-1,537	0.429	-0.300	3,581*	0.001
Profitability	0.064	0.016	0.345	4,120	<0.001

Source: SPSS 27 output, data processed 2026.

These results indicate that Sustainability Report Disclosure has a negative and significant effect on firm value, with a significance value of $0.001 < 0.05$ and a negative regression coefficient. Profitability has a positive and significant effect on firm value, with a significance value of < 0.001 and a coefficient of 0.064.

Results of Moderated Regression Analysis

Moderation testing was conducted by including the interaction between Sustainability Report Disclosure and profitability. The analysis yielded the following equation:

$$Y = -0.033 - 1.096X + 0.038Z - 0.258(X \times Z) + e$$

The interaction coefficient is -0.258, with a t-value of -3.720 and a significance level of < 0.001 . Thus, the interaction between Sustainability Report Disclosure and profitability is statistically significant and negative. These results indicate that profitability moderates the effect of Sustainability Report Disclosure on firm value by weakening it.

Table 7. Results of Moderated Regression Analysis

Variables	B	Std. Error	Beta	t	Sig.
Constant	0.033	0.086	—	0.382	0.703
<i>Sustainability Report Disclosure</i>	-1,096	0.423	-0.214	-2,589	0.011
Profitability	0.038	0.016	0.203	2,310	0.023

SRD × Profitability	-0.258	0.069	-0.341	-3,720	<0.001
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Source: SPSS 27 output, data processed 2026.

Coefficient of Determination

The regression model incorporating Sustainability Report Disclosure and profitability yielded an R-squared value of 0.338 and an Adjusted R-squared value of 0.326. This means that the two variables together explain 33.8% of the variation in company value, while the remaining 66.2% is explained by other factors not included in the model.

Table 8. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error
Model 1	0.581	0.338	0.326	0.81297

Source: SPSS 27 output, data processed 2026.

The Influence of Sustainability Report Disclosure on Company Value

The results of the study show that the t-value is 3.581 > t-table 1.977 and the sig value is 0.001 < 0.05, which means that H0 is rejected and H1 is accepted in this study and is significant while the negative coefficient is -1.537. Sustainability Report Disclosure has a negative and significant effect on company value, meaning that every increase in Sustainability Report Disclosure can decrease company value. Thus, the increase in the breadth of sustainability information in LQ45 companies has not been translated by the market into an increase in company value during the observation period.

These findings can be explained through the perspectives of information costs and short-term market response. Expanded disclosure of sustainability reports requires resources, data collection systems, verification processes, indicator measurement, and reporting costs. If the economic benefits of sustainability activities are not yet visible within the same period, investors may perceive the costs as being realized more quickly than the economic benefits. Nampoothiri et al. (2024) provide relevant evidence that mandatory sustainability performance disclosures do not result in significant changes in aggregate firm value in European companies. The study, using Tobin's Q, shows that reporting costs are offset by relatively limited value changes, while the impact also varies across industries.

The negative findings of this study also do not imply that sustainability reporting inherently damages company value. A more accurate interpretation is that the extent of disclosure is not necessarily synonymous with the quality, materiality, credibility, or effectiveness of sustainability practices. Yu and Luu (2021) show that variations in the level of sustainability report disclosure are largely explained by company characteristics, so the amount of information disclosed needs to be understood in the context of company characteristics and

the market environment. In other words, investors should not solely value the quantity of information but should also consider whether the information is material, verifiable, consistent with actual performance, and relevant to the company's cash flow prospects.

The results of this study also differ from some international literature that found a positive relationship between sustainability performance and firm value, Aydoğmuş et al. (2022) and Zhou et al. (2022). Hafitri et al. (2025) and Handayani & Saputra (2024) found a positive relationship between sustainability performance and firm value. This difference is likely due to different concepts of performance in environmental, social, and governance aspects, rather than simply the breadth of information disclosed. Companies can have extensive disclosures without automatically resulting in market-rewarded sustainability performance.

The results of this study also align with research that provides evidence that market responses to sustainability disclosures are not always positive. Amarna (2024) found that investors can respond negatively through the cost of equity, while creditors respond differently through the cost of debt. These findings reinforce the argument that markets do not respond uniformly to sustainability information; responses depend on how the information is translated into risks, costs, benefits, and financial prospects.

In the context of LQ45 companies, these negative findings have important implications. Companies with high market capitalization and liquidity should not only increase the number of sustainability disclosure items, but also improve the quality, substance, and linkages between disclosures and business strategy. Sustainability reports should demonstrate how sustainability investments contribute to operational efficiency, risk reduction, innovation, reputation, stakeholder relationships, and long-term value creation. Therefore, companies should shift their focus from disclosure quantity to disclosure quality and value relevance.

The Influence of Profitability on Company Value

The results show that profitability has a positive and significant effect on firm value, with a coefficient of 0.064 and a significance level of <0.001 . This finding suggests that firms with higher profit-generating capabilities tend to achieve higher market valuations. These results are consistent with the signaling theory perspective, as profitability signals management's ability to manage assets and generate profits.

Empirically, these results are in line with Hasanudin & Pramono (2024) which found a positive relationship between sustainability report disclosure, firm value, and profitability. Zhou et al. (2022) also identified financial performance as a key mechanism in the relationship between sustainability and a firm's market value. Thus, earnings are not only an indicator of a company's historical performance but can also be used by investors to assess a company's ability to generate cash flow and sustain growth.

The research findings also become more relevant when linked to the development of ROA in the sample. Average profitability increased in 2022 to 9.21%, but then declined to

5.15% in 2025. During the same period, firm value also showed a downward trend. While this descriptive pattern cannot be used to prove direct causality, the regression results provide statistical evidence that profitability has a positive relationship with firm value.

These results demonstrate that LQ45 investors still place strong emphasis on financial fundamentals. Sustainability reporting disclosures can provide supplementary information, but a company's profitability remains a crucial determinant of market perception. Therefore, a company's sustainability strategy must be designed in a way that is inseparable from its economic value creation strategy.

The Role of Profitability in Moderating the Effect of Sustainability Report Disclosure on Firm Value

The most important finding of this study is that profitability significantly moderates by weakening the influence of Sustainability Report Disclosure on firm value. The $SRD \times Profitability$ interaction coefficient of -0.258 with a significance level <0.001 indicates that the direction of the relationship between Sustainability Report Disclosure and firm value becomes increasingly negative at higher levels of profitability.

These findings offer a different perspective from the assumption that more profitable companies will derive greater market benefits from sustainability disclosure. Theoretically, companies with high profitability do have greater resources to invest in sustainability. However, this situation can also make investors more critical of the efficiency of resource use. When companies have the ability to generate high profits but increase sustainability disclosure without demonstrating commensurate economic benefits, sustainability costs can be perceived as resource use that does not generate economic returns in the short term.

These findings differ from those of several studies that found a positive moderating effect. Abdi et al. (2022), for example, showed that company characteristics such as size and age can moderate the relationship between sustainability disclosure and firm value in the aviation industry. This difference demonstrates that the moderating effect is highly contextual. Moderator variables do not always operate in the same direction across sectors, countries, or study periods.

Recent research by Van et al. (2025) also shows that the relationship between sustainability reporting quality and firm value in the ASEAN+3 context can be influenced by different moderating mechanisms. The study found that sustainability reporting quality positively influences firm value, but ESG practices negatively moderate the relationship. This finding supports the results of this study in one important aspect: sustainability information does not produce a simple, linear market relationship. Market responses can change when certain conditional variables are included in the model.

The results of this study are also relevant to Weli and Tamin's (2025) study on profitability as a moderating factor in the relationship between voluntary sustainability report

disclosure and firm value in non-bank companies in Indonesia. This study explicitly positions profitability as a moderator and emphasizes the importance of distinguishing the effects of disclosure at different levels of profitability. Although the sample context and empirical results are not identical, these similarities reinforce the relevance of using profitability as a conditional variable in sustainability reporting research in Indonesia.

Overall, this study shows that Sustainability Report Disclosure has a significant negative effect on firm value, profitability has a significant positive effect on firm value, and profitability significantly weakens the effect of Sustainability Report Disclosure on firm value. These findings provide an important contribution because they demonstrate that increasing the breadth of sustainability disclosure does not automatically result in increased firm value. In the context of LQ45 companies, value creation through sustainability reporting appears to depend more on the company's ability to integrate sustainability practices with economic performance and the quality of information received by the market.

CONCLUSION AND SUGGESTIONS

Based on the results of research on companies listed in the LQ45 index for the 2021–2025 period, it can be concluded that Sustainability Report Disclosure has a negative and significant effect on firm value. This finding suggests that increased sustainability disclosure does not automatically increase market appreciation of the company. Furthermore, profitability has a positive and significant effect on firm value, making a company's ability to generate profits an important factor in increasing market valuation. Furthermore, profitability has been shown to moderate by weakening the effect of Sustainability Report Disclosure on firm value. Thus, the higher a company's profitability, the stronger the negative relationship between Sustainability Report Disclosure and firm value tends to be. These results directly address the research objectives regarding the effect of sustainability report disclosure on firm value and the role of profitability as a moderating variable.

The implications of this research suggest that companies need to manage sustainability disclosure more effectively by ensuring that the information provided not only meets compliance requirements but also reflects real sustainability practices and provides long-term economic benefits. Companies, particularly those with high profitability, need to allocate sustainability reporting costs efficiently to avoid perceptions of a burden on company performance. Investors should also consider the quality and substance of sustainability reports and relate them to the company's profitability, rather than solely the extent of disclosure. This study has several limitations: it only used companies listed in the LQ45 index during the 2021–2025 period, so the results cannot necessarily be generalized to all companies in Indonesia. Furthermore, this study only considered sustainability report disclosure and profitability in explaining company value, indicating that other factors could potentially influence company value.

For further research, it is recommended to add other variables such as company size, capital structure, and institutional ownership and use alternative profitability proxies such as ROE or NPM to provide a more comprehensive understanding of the relationship between sustainability disclosure and company value.

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