

Sustainability Report Disclosure and Firm Value: The Mediating Role of Corporate Reputation

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Abstract

This research analyzes and proves the effect of sustainability report disclosure on firm value, measured based on overall disclosure and economic, environmental, and social performance aspects. It also examines the mediating role of corporate reputation in this relationship. The study focuses on companies listed in the IDX ESG Leaders from 2020 to 2023, using a purposive sampling technique and obtaining 14 companies with 56 units of analysis. Sustainability report disclosure is measured using the GRI standard, which contains three main aspects: economic, environmental, and social performance. Firm value is measured by Price to Book Value (PBV), and corporate reputation is proxied by the number of awards received. The data used are secondary data in the form of annual reports and sustainability reports, which are analyzed using a quantitative approach with the panel data path analysis method. The results show that sustainability report disclosure, whether measured as a whole or based on aspects of economic, environmental, and social performance, has no significant effect on firm value. In addition, corporate reputation also cannot mediate the relationship between sustainability report disclosure and firm value. These findings indicate that although the sustainability report has been disclosed, it has not been able to be a significant factor in increasing firm value. This study provides insight into the fact that sustainability disclosure requires a more integrated strategy to have a real impact on firm value.

Keywords: Sustainability Report Disclosure, Corporate Reputation, Firm Value

1. Introduction

The importance of firm value has expanded beyond financial factors to include non-financial aspects, with increasing focus on social and environmental impacts (Aydoğmuş et al., 2022). This shift aligns with the introduction of the Sustainable Development Goals (SDGs) to promote inclusive and sustainable growth (United Nations, 2015). In line with this, the Triple Bottom Line (3P: Profit, People, Planet) framework emerged, encouraging companies to balance profit with social and environmental responsibility (Elkington, 1997). This principle is increasingly reflected in sustainability reports, which are separate from financial statements and provide transparency on a company's ethical, social, and environmental practices. These reports not only enhance corporate reputation and investor confidence but also serve as a strategic tool to strengthen stakeholder relationships and long-term business resilience (Hapsari, 2023). Firm value reflects investor perceptions, influenced by both financial performance and sustainability disclosures, which signal a company's long-term stability and commitment to social responsibility (Damodaran, 2012). Sustainability disclosures have been shown to enhance trust, reduce investment risks, and increase competitiveness, particularly in high-pressure sectors like energy, manufacturing, and finance (Puspitasari et al., 2024). The

Price to Book Value (PBV) ratio often correlates higher firm value with better market confidence (Sukesti et al., 2019).

This study is guided by signaling, legitimacy, and stakeholder theories. Signaling theory highlights how disclosures convey a company's health and prospects to investors (Spence, 1973), while legitimacy theory emphasizes the importance of managing public perception to build corporate reputation (Dowling & Pfeffer, 1975). Stakeholder theory emphasizes that a company has responsibilities not just to its shareholders, but also to its employees, customers, suppliers, communities, and the environment (Freeman, 1984). Indonesia has responded to global sustainability trends through POJK No. 51/2017, requiring certain companies to publish sustainability reports to enhance transparency and accountability in environmental, social, and governance disclosures (OJK, 2017). The launch of the IDX ESG Leaders index in 2020 further reflects the Indonesia Stock Exchange's commitment to promoting sustainable business practices and guiding ESG-focused investors (IDX, 2020).

However, sustainability disclosures do not always lead to an increase in firm value. While some companies see increased investor confidence and market value, others experience no significant impact. This highlights the importance of the quality, not just the presence, of disclosed information (Amin et al., 2024; Kartana et al., 2023). Research on this relationship shows mixed results: some studies, such as those by Alsayegh et al. (2022), Rahmah et al. (2024), and Qonita et al. (2022), support the idea that comprehensive and credible sustainability disclosures—as predicted by signaling, legitimacy, and stakeholder theories—can enhance corporate reputation and investor confidence, while other studies present different results. Research by Susianto and Wirakusuma (2024), Octavia (2022), Sari (2021), Jao et al. (2024), and Permatasari (2023) found no significant effect of sustainability reports or corporate reputation on firm value, suggesting that disclosure alone may not be sufficient without stakeholder awareness, regulatory enforcement, and consistent reporting quality. Kartana et al. (2023) also noted that irrelevant or unreliable disclosures could fail to influence market perception. These contrasting findings underscore the need for further exploration of how sustainability disclosures interact with mediating factors such as corporate reputation in influencing firm value, particularly in emerging markets. This study addresses this gap by analyzing the direct and indirect effects of sustainability report disclosure on firm value through corporate reputation.

2. Theoretical Framework and Hypothesis Development

2.1 Signaling Theory

Signaling theory suggests that in conditions of information asymmetry, management, with better knowledge of the company's performance, can signal its value to investors through financial or non-financial disclosures, such as earnings reports or sustainability statements (Bergh et al., 2014; Spence, 1973). Transparent disclosures act as positive signals that boost investor confidence and firm value (Alsayegh et al., 2022), while negative signals, like declining earnings, can decrease trust and firm value (Przepiorka & Berger, 2017). These signals reduce uncertainty, influencing stock demand and, ultimately, firm value (Ross, 1977). Signaling theory is thus vital in understanding how corporate disclosures affect investment decisions.

2.2 Legitimacy Theory

Legitimacy theory posits that companies must align with social norms and expectations to gain legitimacy, which is essential for sustainability (Dowling & Pfeffer, 1975). Legitimacy provides social support, allowing companies to operate without rejection or sanctions (Suchman, 1995). One way to achieve this is through social and environmental responsibility disclosures, which enhance a positive image and stakeholder trust (Deegan, 2002). Strong

legitimacy reduces risk, improves stability, and boosts investor confidence, thereby positively impacting firm value (Gozali & Chariri, 2007). Ultimately, legitimacy shapes a company's image and contributes to firm value by ensuring compliance with social expectations and transparent disclosures.

2.3 Stakeholder Theory

Stakeholder theory asserts that companies are accountable not only to shareholders but also to employees, customers, suppliers, communities, governments, and the environment (Freeman, 1984). Long-term success depends on balancing these interests, enhancing reputation, and minimizing conflicts (Freeman & McVea, 2001). Sustainability disclosures reflect this by showcasing corporate responsibility in environmental, social, and governance areas, building trust with the public and investors (Adenina & Sudrajat, 2024). Good governance through stakeholder involvement boosts competitiveness and adaptability, attracting investors and customers (Yasah et al., 2024). Ultimately, addressing stakeholder needs enhances both corporate sustainability and firm value (Saputri et al., 2024).

2.4 Firm Value

Firm value reflects projected future cash flows, indicating a company's growth potential, financial performance, and risk (Damodaran, 2012). A higher firm value signals greater profit potential and financial health (Yulianto & Widyasari, 2020). Increasing firm value boosts investor confidence, attracting capital and supporting long-term sustainability (Salvatore, 2005). It is commonly measured by the Price to Book Value (PBV) ratio, which reflects market expectations of growth and profitability (Agrawal et al., 1996; Nopiana & Novita, 2022). In this study, PBV assesses how the market values the company's net assets and stock price fairness (Riyanto, 2010).

2.5 Corporate Reputation

Corporate reputation is the collective perception of stakeholders on the credibility, reliability, and quality of a company's products or services. A good reputation can increase customer trust, attract investors, and strengthen relationships with business partners (Fombrun & Van Riel, 2004). A positive reputation directly boosts firm value. According to signaling theory, companies with good reputations send positive signals to investors, potentially increasing stock prices and market value (Spence, 1973). Additionally, companies with strong reputations often have a sustainable competitive advantage, leading to long-term profitability (Roberts & Dowling, 2002).

2.6 Sustainability Report Disclosure

Sustainability reporting is a process that helps companies set goals, measure performance, and manage the transition toward a sustainable global economy, combining long-term profitability with social responsibility and environmental care. It also serves as a key platform for communicating the company's economic, environmental, social, and governance performance, reflecting both positive and negative impacts (Fuadah et al., 2018). This report enhances transparency and demonstrates the company's commitment to long-term sustainability. In practice, sustainability reports follow Global Reporting Initiative (GRI) indicators, covering three key aspects: economic, social, and environmental performance, which reflect corporate accountability in its operations.

2.7 The Effect of Sustainability Report Disclosure on Firm Value

Signaling theory (Spence, 1973) explains that sustainability report disclosure serves as a strategic signal to reduce information asymmetry between management and stakeholders. Transparent sustainability disclosures reflect corporate accountability and a long-term orientation, thereby enhancing investor confidence and firm value (Alsayegh et al., 2022). In

addition, legitimacy theory (Deegan, 2002) suggests that firms gain social acceptance through sustainability disclosures, which can strengthen stakeholder trust and improve financial performance. Empirical studies support these theoretical perspectives. Alsayegh et al. (2022) found that sustainability performance and disclosure positively influence firm value through improved investment efficiency. Likewise, Sevnia and Mulyani (2023) reported that sustainability report disclosure enhances firm value by encouraging positive investor responses to transparent environmental, social, and governance practices. Amin et al. (2024) further showed that sustainability reporting increases firm value by strengthening stakeholder trust and reducing information asymmetry, while Rahmah et al. (2024) concluded that sustainability disclosures improve firm value by providing relevant information on a company's long-term sustainability performance. Based on these theoretical and empirical findings, sustainability report disclosure is expected to strengthen corporate legitimacy, increase stakeholder confidence, and ultimately enhance firm value.

H₁: Sustainability report disclosure has a direct effect on firm value.

2.8 The Effect of Disclosure of Economic, Environmental, and Social Performance Aspects in Sustainability Report on Firm Value

Stakeholder theory (Freeman, 1984) emphasizes that companies must address the concerns of all stakeholders. Disclosures on economic, environmental, and social performance reflect this responsibility and are likely to improve firm value. Rahmah et al. (2024) found that each of these disclosure aspects—economic, environmental, and social—positively and significantly influences firm value, supporting the theoretical expectation that transparent sustainability performance aligns with stakeholder interests and contributes to financial outcomes. Similarly, Amin et al. (2024) reported that sustainability-related disclosures enhance stakeholder trust and positively affect firm value. Furthermore, Alsayegh et al. (2022) found that sustainability performance contributes to firm value through improved transparency and investment efficiency.

H₂: Economic performance disclosure has a direct effect on firm value.

H₃: Environmental performance disclosure has a direct effect on firm value.

H₄: Social performance disclosure has a direct effect on firm value

2.9 The Effect of Corporate Reputation on Firm Value

Based on signaling theory, a strong corporate reputation signals reliability and trustworthiness to the market, potentially leading to higher stock valuations (Roberts & Dowling, 2002). Reputation acts as an intangible asset that provides competitive advantage and stakeholder loyalty. Qonita et al. (2022) confirmed that corporate reputation significantly enhances firm value, consistent with the theory that perceived credibility and a positive reputation among stakeholders can affect financial performance. Similarly, Roberts and Dowling (2002) found that firms with strong reputations tend to achieve superior financial performance and maintain higher market valuations. Fombrun and Van Riel (2004) also argued that a positive corporate reputation strengthens stakeholder trust and creates long-term value for the company.

H₅: Corporate reputation has a direct effect on firm value.

2.10 The Effect of Sustainability Report Disclosure on Firm Value through Corporate Reputation

Signaling theory and legitimacy theory together suggest that sustainability disclosures can build a favorable corporate image and strengthen legitimacy in the eyes of the public and investors. This positive reputation may mediate the influence of disclosures on firm value. Sevnia and Mulyani (2024) found that sustainability disclosure significantly affects firm value,

from the Indonesia Stock Exchange (IDX), focusing on companies consistently included in the IDX ESG Leaders index from 2020 to 2023.

The population of this study comprises 30 companies listed in the IDX ESG Leaders index, representing firms recognized for their commitment to environmental, social, and governance (ESG) practices. The sampling method used is purposive sampling, which involves the deliberate selection of companies based on specific predetermined criteria to ensure the relevance and reliability of the data in addressing the research objectives (Sekaran & Bougie, 2016). The criteria for selecting the companies in this study are as follows: (1) are listed on the Indonesia Stock Exchange (IDX), (2) are consistently listed on the IDX ESG Leaders from 2020-2023, (3) publish financial and sustainability reports consecutively during that period, and (4) Companies that use the GRI Index in their sustainability reports.

Table 1. Purposive Sampling Process

No.	Research Sample Criteria	Total
1.	All companies listed on IDX ESG Leaders	30
2.	Companies not consistently listed on IDX ESG Leaders from 2020-2023	(11)
3.	Companies that do not use the GRI Index in their sustainability reports	(5)
The total sample of companies		14
Number of years		4
Total units of analysis (14 x 4)		56

This study employs panel data path analysis along with several statistical tests, including the classical assumption tests, coefficient of determination, t-test, and Sobel test. In panel data regression with Generalized Least Square (GLS), classical assumption tests are not needed, while in Ordinary Least Squares (OLS), only Heteroscedasticity and Multicollinearity tests are required (Basuki & Prawoto, 2016).

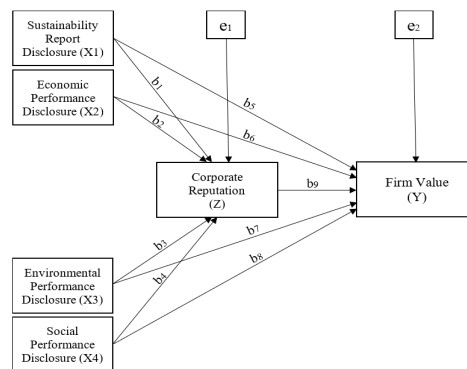


Figure 2. Path Analysis Model

Path analysis is used to test the causal relationship between variables, including the role of mediation (Ghozali & Latan, 2015). In panel data, this analysis combines cross-sectional and time-series dimensions for more accurate estimation (Hair et al., 2019). The path model connects independent, intervening, and dependent variables, with a cause-and-effect relationship indicated by arrows. The mediating effect is measured by the path coefficient calculated through two regression equations (Ghozali, 2021).

The econometric model used is a path analysis model with panel data management using EViews from Figure 2, the sub-structure regression equation can be derived as follows:

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_1 \text{ (Sub-structure 1)}$$

$$Y = \beta_0 + \beta_5 X_1 + \beta_6 X_2 + \beta_7 X_3 + \beta_8 X_4 + \beta_9 Z + e_2 \text{ (Sub-structure 2)}$$

4. Result and Discussion

4.1 Descriptive Statistical Analysis

The descriptive statistics of 56 observations indicate that the level of sustainability report disclosure (X1) has an average value of 0.4103 with a standard deviation of 0.1487, suggesting moderate variation among companies in their overall sustainability reporting. Among the three main aspects, economic performance disclosure (X2) has the highest average at 0.4433, reflecting a greater focus by companies on the economic aspect of their reports. However, the environmental aspect (X3) shows the largest variation with a standard deviation of 0.2414, while the social disclosure (X4) tends to be more consistent with the lowest standard deviation of 0.1379.

Table 2. Results of Descriptive Statistical Analysis

	X1	X2	X3	X4	Y	Z
Mean	0.4103	0.4432	0.3951	0.4084	5.4776	37.375
Median	0.3483	0.4118	0.3438	0.3875	2.1	25
Maximum	0.7753	0.9412	0.9063	0.75	56.79	148
Minimum	0.1798	0.0588	0.0313	0.15	0.6	3
Std. Dev.	0.148664	0.179822	0.241437	0.137863	11.2188	36.31256
Obs	56	56	56	56	56	56

The firm value variable (Y) has an average of 5.4777 but with a very high standard deviation of 11.2188, and a maximum value of 56.79 and a minimum value of 0.6, indicating significant disparities in firm value among the samples. Similarly, corporate reputation (Z) has an average of 37.375 with a very wide range (minimum 3 and maximum 148) and a standard deviation of 36.3126, reflecting large differences in public perceptions of each company’s reputation. These findings emphasize the need for further analysis to examine how variations in sustainability disclosure and corporate reputation may affect firm value.

4.2 Model Selection of Sub-structure 1

Table 3. Chow Test Results of Sub-structure 1

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.12548	(13,38)	0.0000
Cross-section Chi-square	87.91343	13	0.0000

Based on Table 3, it can be seen that the probability value of the Chow test is 0.0000, which is lower than the significance level of 0.05. Therefore, the null hypothesis (common effect model) is rejected and the alternative hypothesis (fixed effect model) is accepted, indicating that the Fixed Effect Model is the appropriate model.

Table 4. Hausman Test Results of Sub-structure 1

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.974364	4	0.2899

Based on Table 4, it can be seen that the probability value of the Hausman test is 0.2899, which is greater than 0.05. As a result, the alternative hypothesis (fixed effect model) is rejected and the null hypothesis (random effect model) is accepted, meaning that the Random Effect Model is the appropriate model for this study.

4.3 Model Selection of Sub-structure 2

Table 5. Chow Test Results of Sub-structure 2

Effects Test	Statistic	d.f.	Prob.
Cross-section F	52.005609	(13,37)	0.0000
Cross-section Chi-square	165.685283	13	0.0000

Based on Table 5, it can be seen that the probability value of the Chow test is 0.0000, which is less than the significance level of 0.05. Therefore, the null hypothesis (common effect model) is rejected, and the alternative hypothesis (fixed effect model) is accepted, indicating that the appropriate model is the Fixed Effect Model.

Table 6. Hausman Test Results of Sub-structure 2

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.011618	5	0.0029

Based on Table 6, it can be seen that the probability value of the Hausman test is 0.0029, which is less than the 0.05 significance level. As a result, the null hypothesis (random effect model) is rejected and the alternative hypothesis (fixed effect model) is accepted, indicating that the Fixed Effect Model is the appropriate model to use.

4.4 Hypothesis Test of Sub-structure 1

Table 7. Random Effect Model Results of Sub-structure 1

Variable	Coef.	Std. Error	t-Statistic	Prob.
C	18.365	13.254	1.38557	0.1719
X1	123530.	84072.	1.46932	0.1479
X2	-23561.	16059.	-1.4670	0.1485
X3	-44395.	30224.	-1.4688	0.148
X4	-55525.	37790.	-1.4693	0.1479
R-squared	0.13274	Mean dependent var		10.1583
Adj R-squared	0.06472	S.D. dependent var		18.3633
S.E. of regression	17.7591	Sum squared resid		16084.7
F-statistic	1.95147	Durbin-Watson stat		1.65686
Prob(F-statistic)	0.11608			

Based on Table 8, the resulting panel data regression model can be formulated as follows:

$$Z = 18.36519 + 123530.3X1 - 23561.02 X2 - 44395.83X3 - 55525.88X4$$

The results of the panel data regression model indicate a constant value of 1,836,519. This means that if all independent variables are equal to 0, the corporate reputation will have a constant value of 18.36519. Furthermore, for each unit increase in the disclosure of the sustainability report, corporate reputation increases by 123,530.3. In contrast, each unit increase in the disclosure of economic performance results in a decrease of 23,561.02 in corporate reputation. Similarly, a 1-unit increase in the disclosure of environmental performance leads to a reduction of 44,395.83 in corporate reputation, and a 1-unit increase in the disclosure of social performance decreases corporate reputation by 55,525.88, assuming all other variables remain constant.

4.4.1 Coefficient of Determination

Based on Table 8, the Adjusted R-squared value is 0.064720 or 6.47%. This indicates that the variables of sustainability report disclosure, economic performance disclosure, environmental performance disclosure, and social performance disclosure collectively explain 6.47% of the variation in corporate reputation, while the remaining percentage is influenced by other factors not examined in this study.

4.4.2 t-Test

The sustainability report disclosure variable (X1) has a probability value of 0.1479, which is greater than the significance level of 0.05. This means that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Therefore, it can be concluded that sustainability report disclosure has no significant effect on corporate reputation (Z). The economic performance disclosure variable (X2) shows a probability value of 0.1485, which also exceeds 0.05. Consequently, the alternative hypothesis is rejected, and the null hypothesis

is accepted, indicating that economic performance disclosure does not significantly influence corporate reputation (Z). The environmental performance disclosure variable (X3) yields a probability value of 0.1480, which is higher than the 0.05 threshold. Thus, the alternative hypothesis is rejected and the null hypothesis is accepted, leading to the conclusion that environmental performance disclosure has no significant effect on corporate reputation (Z). The social performance disclosure variable (X4) has a probability value of 0.1479, which is greater than 0.05. As a result, the alternative hypothesis is rejected and the null hypothesis is accepted. This implies that social performance disclosure does not significantly affect corporate reputation (Z).

4.5 Hypothesis Test of Sub-structure 2

Table 8. Fixed Effect Model Results of Sub-structure 2

Variable	Coef.	Std. Error	t-Statistic	Prob.
C	6.44306	1.63597	3.93835	0.0003
X1	-18140.	12998.9	-1.3955	0.1712
X2	3467.48	2483.02	1.39647	0.1709
X3	6520.55	4672.99	1.39537	0.1712
X4	8147.65	5842.9	1.39444	0.1715
Z	0.02157	0.0240	0.89790	0.375
R-squared	0.96371	Mean dependent var		5.4776
Adj R-squared	0.94606	S.D. dependent var		11.2188
F-statistic	54.5917	Durbin-Watson stat		2.65386
Prob(F-statistic)	0.0000			

Based on Table 9, the estimated panel data regression model is presented as follows:

$$Y = 6.443063 - 18140.79X1 + 3467.484X2 + 6520.557X3 + 8147.652X4 + 0.021574Z$$

The panel data regression results show a constant value of 6.443063, indicating that when all independent variables are equal to zero, firm value is 6.443063. The regression coefficients indicate that a one-unit increase in sustainability report disclosure decreases firm value by 18,140.79, whereas one-unit increases in economic, environmental, and social performance disclosures increase firm value by 3,467.484, 6,520.557, and 8,147.652, respectively. In addition, a one-unit increase in corporate reputation increases firm value by 0.021574, assuming all other variables remain constant.

4.5.1 Coefficient of Determination

Based on Table 9, the Adjusted R-squared value is 0.946060, or 94.60%. This indicates that the variables of sustainability report disclosure, economic performance disclosure, environmental performance disclosure, social performance disclosure, and corporate reputation collectively explain 94.60% of the variation in firm value, with the remaining percentage being influenced by other factors not examined in this study.

4.5.2 t-Test

The sustainability report disclosure variable (X1) has a probability value of 0.1712 (> 0.05), indicating that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Thus, sustainability report disclosure does not significantly affect firm value (Y). Similarly, economic performance disclosure (X2), environmental performance disclosure (X3), and social performance disclosure (X4) have probability values of 0.1709, 0.1712, and 0.1715, respectively, all exceeding the 0.05 significance level. Therefore, each of these variables does not have a significant effect on firm value. Likewise, the corporate reputation variable (Z) has a probability value of 0.3750 (> 0.05), indicating that corporate reputation also does not significantly influence firm value.

4.6 Sobel Test

The Sobel test is used to evaluate the significance of the indirect effect in the mediation model. It helps determine whether the mediator variable significantly carries the effect of the independent variable to the dependent variable. The formula for this test is as follows:

$$t = \frac{ab}{\sqrt{(b^2SEa^2) + (a^2SEb^2)}}$$

The intervening variable is considered to mediate the relationship between the independent and dependent variables if t count is greater than t table. The t table value in this study is 2.00758.

4.6.1 X1 to Y through Z

$$t = \frac{123530.3 \times 0.021574}{\sqrt{(0.021574^2 \times 84072.68^2) + (123530.3^2 \times 0.024027^2)}} \\ t = 0.7661$$

Based on the calculations above, the calculated t value of 0.7661, which is less than the critical t value of 2.00758, indicates that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Therefore, it can be concluded that the corporate reputation variable does not mediate the relationship between sustainability report disclosure and firm value.

4.6.2 X2 to Y through Z

$$t = \frac{-23561.02 \times 0.021574}{\sqrt{(0.021574^2 \times 16059.67^2) + (-23561.02^2 \times 0.024027^2)}} \\ t = -0.7659$$

Based on the calculations above, the calculated t value of -0.7659, which is greater than the critical t value of -2.00758, indicates that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Therefore, it can be concluded that corporate reputation does not mediate the relationship between economic performance disclosure and firm value.

4.6.3 X3 to Y through Z

$$t = \frac{-44395.83 \times 0.021574}{\sqrt{(0.021574^2 \times 30224.68^2) + (-44395.83^2 \times 0.024027^2)}} \\ t = -0.8956$$

Based on the calculations above, the calculated t value of -0.8956, which is greater than the critical t value of -2.00758, indicates that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Therefore, it can be concluded that corporate reputation does not mediate the relationship between environmental performance disclosure and firm value.

4.6.4 X4 to Y through Z

$$t = \frac{-55525.88 \times 0.021574}{\sqrt{(0.021574^2 \times 37790.43^2) + (-55525.88^2 \times 0.024027^2)}} \\ t = -0.7661$$

Based on the calculations above, the calculated t value of -0.7661, which is greater than the critical t value of -2.00758, indicates that the alternative hypothesis (Ha) is rejected and the null hypothesis (Ho) is accepted. Therefore, it can be concluded that corporate reputation does not mediate the relationship between social performance disclosure and firm value.

4.7 The Effect of Sustainability Report Disclosure on Firm Value

The results indicate that sustainability report disclosure does not significantly affect firm value, as shown by a probability value of $0.1712 > 0.05$, leading to the rejection of H_a and acceptance of H_o . This suggests that, although sustainability reporting promotes sustainable business practices, it does not directly increase firm value. One possible explanation is that investors continue to prioritize short-term financial performance over non-financial sustainability information, while variations in the quality and comprehensiveness of sustainability disclosures may limit their influence on market valuation.

These findings are consistent with Susianto and Wirakusuma (2024), Octavia (2022), and Sari (2021), who also reported no significant effect of sustainability report disclosure on firm value. However, the results differ from Sevnia and Mulyani (2024), who found a positive relationship between sustainability disclosure and firm value. This discrepancy may reflect differences in research samples, industry characteristics, regulatory environments, disclosure quality, and investor awareness of sustainability issues. Therefore, sustainability reporting should be viewed not only as a means of enhancing firm value but also as a mechanism for strengthening corporate accountability and creating long-term stakeholder value.

4.8 The Effect of Disclosure of Economic, Environmental, and Social Performance Aspects in Sustainability Report on Firm Value

This study shows that the disclosure of economic, environmental, and social performance in sustainability reports does not significantly affect firm value, as indicated by probability values greater than 0.05 ($X_2 = 0.1709$; $X_3 = 0.1712$; $X_4 = 0.1715$). These findings suggest that investors may not consider sustainability disclosures as value-relevant information because of differences in disclosure quality, stakeholder awareness, and the integration of sustainability into corporate strategy.

The results are consistent with Octavia (2022), who found that disclosures of economic, environmental, and social performance do not significantly influence firm value, indicating that sustainability reporting alone is insufficient to affect investor perceptions without tangible financial outcomes. However, the findings contradict Rahmah et al. (2024), who reported a positive and significant effect of each sustainability dimension on firm value. This discrepancy may be explained by differences in sample characteristics, industry sectors, disclosure quality, and stakeholder sensitivity to sustainability issues. Therefore, companies should support sustainability disclosures with measurable sustainability achievements and effective stakeholder communication to enhance their relevance for investors.

4.9 The Effect of Corporate Reputation on Firm Value

This study shows that corporate reputation does not significantly affect firm value, as indicated by a probability value of $0.3750 > 0.05$. These findings suggest that, despite being an important intangible asset, corporate reputation may not directly influence investor assessments of firm value. Instead, investors may place greater emphasis on financial performance, growth prospects, and market conditions.

The findings are consistent with Jao et al. (2024) and Permatasari (2023), who also reported no significant effect of corporate reputation on firm value, indicating that reputation alone is insufficient to increase market valuation without strong financial fundamentals. However, the results contradict Qonita et al. (2022), who found a significant positive relationship between corporate reputation and firm value. This discrepancy may be explained by differences in measurement methods, stakeholder perceptions, industry characteristics, and corporate visibility. Therefore, corporate reputation should be viewed as one of several factors influencing firm value rather than a standalone determinant of market valuation.

4.10 The Effect of Sustainability Report Disclosure on Firm Value through Corporate Reputation

This study shows that sustainability report disclosure does not significantly affect firm value through corporate reputation as an intervening variable, as indicated by a t-statistic of 0.7661, which is lower than the t-table value of 2.00758. Accordingly, H_0 is accepted and H_a is rejected, indicating that corporate reputation does not mediate the relationship between sustainability report disclosure and firm value. This finding may reflect limited investor understanding of the link between sustainability disclosures, corporate reputation, and firm value, as well as differences in disclosure quality and stakeholder awareness of sustainability issues.

These results are inconsistent with Sevnia and Mulyani (2023), who found that sustainability disclosures enhance firm value through positive stakeholder perceptions, and Qonita et al. (2022), who emphasized the mediating role of corporate reputation in strengthening the impact of sustainability initiatives on firm value. The discrepancy may be explained by differences in research context, sample characteristics, corporate reputation measurement, and investor awareness in the Indonesian capital market. This study contributes by examining corporate reputation as an intervening variable, although the findings suggest that other factors, such as financial performance, profitability, or corporate policies, may have a greater influence on firm value. Future research should explore alternative mediating variables while considering improvements in sustainability disclosure quality and stakeholder awareness.

4.11 The Effect of Economic, Environmental, and Social Performance Disclosure in the Sustainability Report on Firm Value Through Corporate Reputation

The results indicate that corporate reputation does not mediate the relationship between the disclosure of economic, environmental, and social performance in sustainability reports and firm value. The calculated t-values for economic, environmental, and social performance disclosures are -0.7659, -0.8956, and -0.7661, respectively, all below the critical t-value, leading to the rejection of the proposed hypotheses. These findings suggest that sustainability performance disclosure does not automatically enhance firm value through corporate reputation.

The results are inconsistent with Rahmah et al. (2024), who found that economic, environmental, and social performance disclosures positively influence firm value, and with Qonita et al. (2022), who highlighted the mediating role of corporate reputation through stakeholder trust and positive market perceptions. These differences may be explained by variations in research samples, measurement methods, and investor responses to sustainability information. Among companies included in the IDX ESG Leaders Index, investors may place greater emphasis on financial performance and business prospects than on sustainability disclosures and corporate reputation. Accordingly, other factors, such as financial performance, business strategy, and market conditions, may play a more significant role in determining firm value. Therefore, companies should complement sustainability reporting with stronger governance, greater transparency, and more effective stakeholder communication, while investors should consider both sustainability performance and financial fundamentals when evaluating investment opportunities.

5. Conclusion

The results indicate that sustainability report disclosure, including economic, environmental, and social performance, does not significantly affect firm value, either directly or through corporate reputation as an intervening variable. These findings may reflect limited investor attention, low stakeholder awareness of the long-term benefits of sustainability, and variations in disclosure quality across companies. Furthermore, corporate reputation does not

mediate the relationship, suggesting that financial performance, business strategy, and market conditions play a more dominant role in determining firm value. Although sustainability disclosures enhance corporate transparency, their impact may be outweighed by short-term financial considerations and market dynamics.

This study contributes to stakeholder, signaling, and legitimacy theories by demonstrating that sustainability disclosures do not necessarily translate into higher firm value among companies included in the IDX ESG Leaders Index. The findings suggest that the effectiveness of sustainability reporting depends on disclosure quality, investor awareness, and market characteristics. Practically, companies should prioritize the quality, credibility, and communication of sustainability disclosures rather than merely increasing their volume. Investors should evaluate sustainability information alongside financial performance, while regulators can strengthen reporting standards and promote greater awareness of the long-term value of sustainability practices.

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