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Does A Sustainability Committee Matter? Examining Its Moderating Role Between Sustainability Disclosure and Firm Value : Evidence from Indonesia

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ABSTRACT: Amid increasing climate risks, stricter sustainability regulations, rising stakeholder expectations, evaluating the economic relevance of sustainability disclosure become critical, particularly in environmentally sensitive sectors within emerging markets. This study examines the effect of sustainability disclosure on firm value, with the sustainability committee serving as a moderating governance mechanism. Using a quantitative causal approach, this study analyzes panel data from 27 energy sector companies listed on the Indonesia Stock Exchange (IDX) over the 2022–2024 period, yielding 81 firm-year observations selected through purposive sampling. Panel data regression was conducted using EViews 12, and the Random Effect Model (REM) was identified as the most appropriate estimation technique based on the Chow, Hausman, and Lagrange Multiplier tests. The results indicate sustainability disclosure has a positive but statistically insignificant relationship with firm value. Similarly, the sustainability committee does not have a significant direct effect on firm value. The moderating analysis further shows that the interaction between sustainability disclosure and the sustainability committee is insignificant, suggesting that the presence of a sustainability committee does not strengthen the disclosure–firm value relationship. These findings imply that sustainability disclosures and related governance structures in Indonesia's energy sector remain largely symbolic and have not yet been substantively embedded in corporate value creation strategies. This study contributes to the sustainability governance literature by highlighting the limited economic implications of sustainability disclosure and sustainability committees in an emerging market context, while offering insights for firms and policymakers to enhance the strategic role of sustainability governance in supporting long-term firm value.

KEYWORDS : Sustainability Disclosure; Firm Value; Sustainability Committee; Indonesia; IDX.

I. INTRODUCTION

The climate crisis is no longer merely an environmental issue; it has become an existential threat that affects global economic, social, and ecological stability. According to the Intergovernmental Panel on Climate Change (IPCC, 2023), atmospheric concentrations of greenhouse gases have risen to record highs in the past 80,000 years, posing a threat of a global average temperature rise of around 1.2°C compared to pre-industrial levels. This warming has contributed to increased risks and severity of climate-related disasters, significantly impacting human communities, ecosystems, and economic sectors worldwide.

Cheng (2024) explains that global carbon dioxide (CO_2) emissions now reach approximately 40 gigatons annually, with the majority stemming from fossil fuel combustion and extensive deforestation. These emissions further accelerate global warming and threaten the stability and resilience of ecosystems. The impacts are wide-ranging and multidimensional. The World Health Organization (WHO, 2024) reports that Air pollution is responsible for more than seven million fatalities per year. associated with carbon emissions. In parallel, the International Monetary Fund (IMF, 2024) estimates that climate change contributes to global economic losses amounting to nearly 2% of the world's GDP each year. Collectively, these figures highlight the critical urgency for implementing comprehensive mitigation and adaptation strategies at both international and national scales (Sudarmaji, Azizah, & Herlan, 2025), (Azizah & Fujianti, 2024), (Wahyoeni et al., 2025), (Sudarmaji, Azizah, & Nasip, 2025), (Sudarmaji et al., 2024), (Fujianti, Rizal, et al., 2024), (Fujianti, Azizah, et al., 2024).

In addressing this global issue, the 2015 An important step forward in international climate policy was the Paris Agreement, which reflected a united worldwide commitment to keep the world's average temperature rise well below 2 degrees Celsius over pre-industrial standards and to strive for a limit of 1.5 degrees Celsius, which serves as a principal target for climate mitigation (UNFCCC, 2015).In Indonesia, greenhouse gas emissions have shown a very significant long-term upward trend, highlighting the country's increasing contribution to global climate change and the need for comprehensive policies to reduce emissions while supporting sustainable development.

Indonesia exemplifies this growing environmental challenge, with greenhouse gas (GHG) emissions rising sharply over the last five decades.

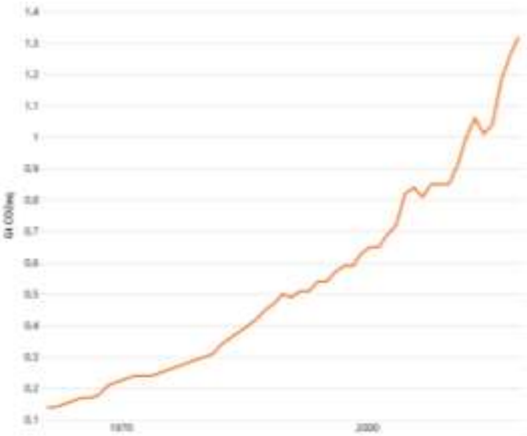

Figure 1. Volume of Greenhouse Gas Emissions in Indonesia (1970–2024)
Source: Joint Research Centre – European Commission (2025)

As illustrated in Figure 1.1, total national emissions increased from approximately 0.14 billion tons of CO_2e in 1970 to 1.32 billion tons in 2024 an expansion of nearly 880% (Joint Research Centre–European Commission, 2025). This upward trajectory reflects the country's continued reliance on fossil fuels across energy-intensive sectors, underscoring the urgent need for sustainable transformation within the energy industry.

Indonesia has pledged to reduce carbon emissions and promote sustainable corporate operations as part of its participation in the Paris Agreement (UNFCCC, 2015). With this commitment in mind, the Indonesian Financial Services Authority (OJK) passed Regulation No. 51/POJK.03/2017 and Circular Letter No. 16/SEOJK.04/2021, mandating the reporting of sustainability performance by publicly listed enterprises and financial institutions. By incorporating ESG (environmental, social, and governance) factors into business strategies and operations, these regulatory frameworks aim to promote the SDGs, especially Goal 13 on Climate Action (UNDP, 2019). However, as Azizah and Wahyoeni (2025) revealed, compliance levels among Indonesian corporations remain moderate (around 65%), suggesting that sustainability reporting has yet to fully capture firms' long-term value creation.

Beyond disclosure requirements, POJK No. 51/POJK.03/2017 also emphasizes the importance of organizational structure and governance mechanisms in implementing sustainable finance. In particular, firms are encouraged to assign explicit accountability to their boards of directors and executive management for the oversight of sustainability programs, which may involve the formation of a dedicated sustainability committee operating under board-level guidance (OJK, 2017). Secara khusus, Surat Edaran Nomor 16/SEOJK.04/2021 menekankan perlunya function of specific units or committees in coordinating, supervising, and assessing sustainability initiatives to promote effective execution and transparency (OJK, 2021).

A sustainability committee, often referred to as a CSR or environmental committee, functions as a governance subcommittee responsible for overseeing sustainability strategies, Integrating ESG targets with broader corporate objectives and promoting openness in sustainability disclosures are essential aspects of effective governance (Metwally et al., 2025). Establishing such a committee reflects an organization's dedication to ethical and accountable management while strengthening oversight of sustainability-related decisions. However, existing literature indicates that the degree to which sustainability committees are effective relies on the level of board backing and their proactive engagement in strategic decision-making processes (Onder & Baimurzin, 2020).

Empirical findings when it comes to the correlation between sustainability reports and stock price increases, opinions vary widely among literature. Several scholars have identified a positive connection (Widyadi & Widiatmoko, 2023; Zarefar et al., 2022), whereas others have documented an insignificant impact (Firdaus & Lastanti, 2025; Amin et al., 2023). Such divergent outcomes suggest that additional elements may shape this association. Consequently, the present research incorporates the sustainability committee as a moderating construct that could either amplify or diminish the link between reporting on sustainability and the value of our company. Focusing on Indonesia's energy sector, this study seeks to understand how corporate sustainability reporting is influenced by the presence of a sustainability oversight committee. value within sectors characterized by high environmental sensitivity.

II. LITERATURE REVIEW

A. SIGNALING THEORY

Signaling theory describes how managers communicate information to investors on the way to reducing the impact of information asymmetry and influence market assessments of firm quality and future prospects (Spence, 1973). From this perspective, sustainability disclosure functions as a favorable signal that indicates management's commitment to long-term sustainability goals and responsible corporate behavior. The disclosure of sustainability-related information provides investors with non-financial insights that complement financial data, thereby facilitating a more comprehensive evaluation of firm performance and firm value and ultimately affecting investment decisions (Tjandra et al., 2023) and the value of the market. In addition, sustainability reporting is expected to improve corporate transparency by lowering uncertainty associated with environmental and social risks that are not adequately reflected in traditional financial statements. Prior research indicates that a higher level of sustainability disclosure enables investors to better assess firms' long-term strategic orientation and risk management practices, increasing the usefulness of such information in firm valuation (Widyadi & Widiatmoko, 2023). In addition, within emerging market settings such as Indonesia, sustainability disclosure often operates as a key communication mechanism through which firms signal regulatory compliance and responsiveness to stakeholder expectations, potentially shaping market perceptions despite the ongoing development of sustainability reporting practices (Wardoyo et al., 2024).

B. LEGITIMACY THEORY

As proposed by Suchman (1995), legitimacy theory generally assumes that corporate actions are shaped by a system of norms, values, and beliefs that are considered appropriate by society, enabling organizations to obtain legitimacy from their surrounding environment. This theory functions as a mechanism that supports organizations in adopting and developing corporate disclosure practices related to social and environmental aspects. Based on legitimacy theory, firms are more likely to attain a strong position within their environment and gain social acceptance when they morally fulfill societal expectations regarding the disclosure of their operational activities (Wijaya & Novianto, 2024). However, differences between corporate values and prevailing societal values are often unavoidable, giving rise to a legitimacy gap that may has an effect on the reliability of a company's operations and long-term sustainability (Putri, 2025). To narrow this gap, companies are required to present sustainability disclosure transparently as a form of public accountability, allowing corporate values to be perceived as aligned with social norms. Ultimately, transparent sustainability disclosure not only supports business sustainability but also contributes to improved corporate performance and the enhancement of firm value (Safriani & Utomo, 2020).

C. SUSTAINABILITY DISCLOSURE AND FIRM VALUE

Reports on sustainability serve as a qualitative measure of a company's commitment to fulfilling environmental, social, and governance (ESG) obligations. Transparent disclosure of sustainability information mitigates informational disparities between corporate management and investors, allowing stakeholders to more accurately evaluate the firm's long-term performance and approaches to risk governance (Widyadi & Widiatmoko, 2023). Companies that provide comprehensive sustainability disclosures tend to be viewed as more responsible and future-oriented, thereby reinforcing investor trust and improving market valuation (Rahman et al., 2021). Nonetheless, prior empirical research presents mixed outcomes, implying that sustainability reports' effects on enhancing corporate value may hinge upon governance structures that uphold the reliability and uniformity of the disclosed data (Firdaus & Lastanti, 2025). This finding suggests that sustainability reporting by itself may not be adequate to increase firm value without effective supervisory mechanisms.

H1: Sustainability disclosure positively influences firm value

D. SUSTAINABILITY COMMITTEE AND FIRM VALUE

The sustainability committee represents a governance mechanism designed to oversee and integrate sustainability practices into corporate strategy. The existence of this committee signals stronger dedication to sustainable management, strengthens the legitimacy of choices relating to sustainability, and disclosures (Hanan & Setiawan, 2023). Effective oversight by the sustainability committee can improve transparency and accountability, for whom investors and other stakeholders have a favorable opinion (Shokomi & Yahaya, 2024). Empirical findings indicate that firms establishing sustainability committees are more likely to attain higher corporate value, primarily as a result of enhanced governance practices and improved organizational reputation. However, this influence may differ based on the committee’s level of effectiveness and its engagement in strategic decision-making processes (Onder & Baimurzin, 2020).

H2: Sustainability committee positively influences firm value.

E. SUSTAINABILITY COMMITTEE, SUSTAINABILITY DISCLOSURE, AND FIRM VALUE

Companies need to disclose relevant information to gain investors trust and enhance firm value. One form of such information is sustainability disclosure, which signifies an organization’s dedication in relation to the ESG elements of government, society, and the environment. But, environmental reports might not always receive a positive market reaction when it lacks adequate governance oversight. As noted by Metwally et al. (2025), sustainability committees assume a pivotal function in enhancing the integrity and reliability of sustainability disclosures while fostering stronger stakeholder engagement. When a sustainability committee is in place, the disclosed information tends to be more trustworthy and is generally perceived more favorably by investors. Prior empirical studies that examined the correlation between sustainability reporting and company net worth yielded mixed findings, thereby making the moderating influence of the sustainability committee a pertinent subject for further examination.

H3 : Sustainability committee moderates the influence of sustainability disclosure on firm value

III. METHODOLOGY

A. Sample and Data

To find out how sustainability disclosure (X) affects company value (Y), this study used a quantitative causal methodology. In this model, the sustainability committee (Z) serves as a moderating variable. Quantitative methodology facilitates objective examination of relationships between variables through statistical analysis, while the causal framework allows identification of directional relationships between independent and dependent constructs (Sugiyono, 2020). The target population Included in this research are all energy-related firms that have a listing on the IDX between 2022 and 2024. A purposive sampling method was used to determine the sample, which was guided by the following conditions: For the years 2022–2024, the following categories of firms were considered:(1) energy sector companies that were continuously listed on the IDX;(2) companies that released fully audited annual reports; and(3) companies that released sustainability reports.

Data availability and reporting completeness informed the purposive screening that yielded the sample utilized in this investigation. Table summarizes the methodology for selecting the sample and the number of companies kept at each step. 1.

Table 1. Sample Selection

Num	Information	Sum
1	Energy sector companies consecutively listed on the IDX during the 2022–2024 period	91
2	Energy sector companies that did not publish audited annual reports during the 2022-2024 period	-3
3	Energy sector companies that did not publish sustainability reports during the 2022–2024 period	-61
	Final sample	27
	Number of years of observation	3
	Total panel data observations	81

Source: *IDX data processed, 2026*

After obtaining data from the annual data processing and statistical analysis were carried out using EViews 12 for the 2022–2024 period, focusing on sustainability reports of energy sector enterprises listed on the Indonesia Stock Exchange (IDX). The dependent variable in this study is company value, the independent variable is sustainability disclosure, and the moderating variable is the sustainability committee. The detailed measurement and operationalization of each variable are presented in the subsequent subsection.

B. Measurement Variable

Dependent Variable

The worth of the company is the dependent variable here. James Tobin first proposed Tobin's Q ratio in 1967 as a means of calculating a company's worth. The replacement cost of assets, which is the sum of a company's equity and all of its liabilities, is compared to the market value of the same assets by calculating the total asset turnover ratio. One common way to determine if a company's asset prices are too high or too low relative to its book value is with Tobin's Q.

Several prior studies, including Xaviera and Rahman (2023), Melinda and Wardhani (2020), Khuong and Anh (2022), Jan et al. (2021), and Hendratama and Huang (2021), have also employed Tobin's Q as a surrogate for the worth of a company. This ratio was chosen because based on its ability to capture market-based evaluations of firm performance and future growth prospects in a comprehensive manner. What follows is the formula for determining Tobin's Q:

$$\textbf{Tobin's Q} = \frac{\textbf{Market Value of Equity} + \textbf{Total Liabilities}}{\textbf{Total Assets}}$$

Tobin's Q is a measure of a company's worth, with equity being determined by dividing the stock price at the end of the day by the total number of shares outstanding. According to the financial statements, a company's total assets are represented by its book value, while their total liabilities are shown by their book value.

Independent Variable

In this study, sustainability disclosure is used as the independent variable. According to Maharani and Widiatmoko (2024), when a company openly discloses the monetary, social, and ecological effects of its operations, it is involved in sustainability disclosure. This metric shows how open and responsible businesses are when sharing sustainability-related data with their constituents. Based on Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 and Financial Services Authority Circular Letter (SEOJK) No. 16/SEOJK.04/2021, this study measures sustainability disclosure in accordance with these guidelines. Each disclosure item specified in the SEOJK is used as a benchmark to assess the extent to which firms comply with mandatory sustainability disclosure requirements.

Several previous studies have employed the SRDI method to measure the level of sustainability disclosure, including Wardoyo et al. (2024), Dewi and Dewi (2022), Ayuningtyas et al. (2023), and As stated by Raya et al. (2023). Here is the formula for determining the SRDI:

$$\textbf{SRDI} = \frac{\sum_{i=1}^{m} d_i}{m}$$

In this equation, d_i takes a value of 1 if the disclosure item is reported and 0 otherwise, while m represents the maximum number of disclosure items. SRDI denotes the Sustainability Report Disclosure Index.

Moderating Variable

In this study, the sustainability committee is used as a moderating variable. The committee on sustainability represents a corporate governance mechanism responsible for overseeing, evaluating, and providing strategic guidance on sustainability-related policies. Its primary function is to ensure that factors relating to the environment, society, and governance (ESG) are successfully included the firm's overall strategy and business operations (Metwally et al., 2025). According to Silviani et al. (2024), firms that establish a sustainability committee tend to exhibit stronger ESG practices and more comprehensive sustainability reporting, supported by more effective oversight and coordination across managerial functions. Accordingly, the sustainability committee is anticipated to improve the favorable correlation between sustainability reporting and company worth.

The presence or absence of a sustainability committee was evaluated in this research. using a nominal (dummy) variable that indicates whether such a committee is present within the firm's organizational structure. For companies that have already formed sustainability committees, a value of 1 is given, while a value of 0 is assigned otherwise. This measurement approach follows prior studies by Metwally et al. (2025), The sustainability committee is a key corporate governance tool for sustainability reporting and supervision, according to Alodat and Hao (2025) and Silviani et al. (2024).

C. Specific Model

Using a panel regression technique, this research analyzes how sustainability disclosure affects company value and how the sustainability committee acts as a moderator. Two steps make up the empirical analysis.

Without including an interaction term, the first step estimates a baseline model to investigate the direct impacts of sustainability disclosure and the sustainability committee on company value. Before the moderating impact is tested, this model is used as a reference model. The following is the first stage's regression equation:

$$FV_{it} = \beta_0 + \beta_1 SD_{it} + \beta_2 SC_{it} + \varepsilon_{it}$$

Where FV denotes firm value, SD represents sustainability disclosure, SC refers to the sustainability committee, i indicates the firm, and t denotes the year.

In the second stage, an interaction term between sustainability disclosure and the sustainability committee is introduced to formally test the sustainability committee's moderating function. This model investigates whether the link between sustainability disclosure and business value is strengthened or weakened by the sustainability committee. The following is the specification of the regression equation for the second stage:

$$FV_{it} = \beta_0 + \beta_1 SD_{it} + \beta_2 SC_{it} + \beta_3 (SD_{it} \times SC_{it}) + \varepsilon_{it}$$

The objective of the second stage aims to evaluate how the sustainability committee influences the link between business value and sustainability disclosure.

IV. RESULTS AND DISCUSSION

A. Descriptive Analysis

Sustainability disclosure, company value, and the sustainability committee were all subjected to descriptive statistics in order to offer a preliminary summary of the study variables. Table 2 displays the summary statistics for each variable that was included in the investigation.

Table 2. Descriptive Analysis

	Sustainability Disclosure	Firm Value	Sustainability Committee
Mean	0.925432	1.630494	0.679012
Median	0.940000	0.980000	1.000000
Maximum	1.000000	12.92000	1.000000
Minimum	0.710000	0.630000	0.000000
Std. Dev.	0.075067	2.182470	0.469765
Observations	81	81	81

Source: *Data processed with Eviews 12, 2026*

Based on the results of the descriptive statistical analysis, Sustainability Disclosure records a mean score of 0.925432 and a median value equal to 0.940000. This finding implies that, on average, the sampled companies exhibit a relatively high degree of sustainability disclosure consistency, with limited dispersion as represented by a standard deviation of 0.075057. Nonetheless, inter-firm differences are still observable, as shown by the maximum value of 1.000000 and the minimum of 0.710000. The Firm Value variable yields an average of 1.630494 and a median score of 0.980000, suggesting that the majority of firms maintain a moderately balanced market valuation. However, the broad gap between the maximum of 12.92000 and the minimum of 0.630000, along with a relatively high standard deviation of 2.182470, indicates significant variation in market performance across the observed companies. In addition, the Sustainability Committee variable presents an average score of 0.679012 with a median figure of 1.000000, signifying that most firms have formed a sustainability committee, although several have yet to do so, as shown by the minimum recorded value of 0.000000. Meanwhile, a standard deviation of 0.459765 denotes a considerable level of variability in the establishment of such committees among the sampled entities.

B. Panel Data Model Selection

A model selection method must be performed before the panel data regression estimation can begin in order to determine which estimation approach is most suitable given the data's features. In order to examine the Common Effects Model (CEM), the Fixed Effects Model (FEM), and the Random Effects Model (REM), this study used the Chow test, the Hausman test, and the Lagrange Multiplier test. To choose the best panel regression model for further analysis, we used the results of the model selection tests for Regression Model 1, which are shown in Table 3.

Table 3. Model Selection for Regression Model 1

Model Test	Result	Conclusion
Chow Test	0.0000	FEM
Hausman test	0.3973	REM
Lagrange Multiplier Test	0.0000	REM

Source: *Eviews 12 Output*

In addition to the primary regression specification, a second regression model incorporating the interaction term is estimated to investigate the sustainability committee's moderating function. To find the best method of estimation, we repeated the steps used in Model 1 and ran a battery of experiments using panel data models. Table 4 displays the outcomes of the Chow, Hausman, and Lagrange Multiplier tests conducted on Regression Model 2.

Table 4. Model Selection for Regression Model 2

Model Test	Result	Conclusion
Chow Test	0.0000	FEM
Hausman test	0.6140	REM
Lagrange Multiplier Test	0.0000	REM

Source: *Eviews 12 Output*

Drawing on the outcomes of the panel data model selection procedures for both regression specifications, the Chow test for Regression Model 1 and Model 2 produces probability values of 0.0000, indicating it is far more accurately reflects the data than the Common Effects Model (CEM). As a consequence, the Random Effects Model (REM) is statistically superior to the FEM for both specifications, as reported by the Hausman test results, which are 0.3973 for Model 1 and 0.6140 for Model 2. The conclusion is validated by the Lagrange Multiplier (LM) test, which shows that both models have probability values of 0.0000. This further confirms that the REM is better than the CEM at describing the data fluctuation. By combining the outcomes of the Chow, Hausman, and LM tests, this study concludes that the REM model is best appropriate estimation approach for both regression models employed in the analysis.

D. The Effect of Sustainability Disclosure and Sustainability Committee on Firm Value

Following the determination The direct impacts of sustainability disclosure and the sustainability committee on company value are investigated using hypothesis testing of the best panel data estimate model. Without including the interaction term, Regression Model 1 concentrates on evaluating the independent variables' primary impacts. Table 5 summarizes the Model 1 estimation findings.

Table 5. Hypothesis Testing Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.133717	1.611627	0.703461	0.4839
SD	0.663059	1.703072	0.389331	0.6981
SC	-0.172072	0.309686	-0.555635	0.5801

Source: *Data processed with Eviews 12, 2026*

Sustainability Disclosure (SD) has a positive but statistically negligible impact on company value, according to Model 1's empirical data (β = 0.663059; p = 0.6981). This result suggests that the capital market has not yet completely acknowledged sustainability reporting as a crucial factor in determining a company's worth. According to Signaling Theory, corporate disclosures are meant to tell external stakeholders about a company's overall quality and future prospects (Hardiyanti, 2025). The negligible correlation, however, indicates that investors have not successfully understood sustainability disclosure as a reliable or valuable signal in the setting that has been seen. This condition reflects the limited role of non-financial information in influencing investment decisions within the Indonesian capital market.

This outcome is in line with Handoko's (2021) results, which showed that business value was not significantly impacted by sustainability disclosure, particularly when such disclosure reflects symbolic compliance rather than substantive and strategic sustainability practices.

These results are consistent with earlier empirical evidence, such as those reported by Firdaus and Lastanti (2025) and Amin et al. (2023), who observed that investors in emerging economies including Indonesia tend to prioritize conventional financial indicators over sustainability-related information. Moreover, the Sustainability Committee (SC) variable also demonstrates an insignificant impact on firm value (β = −0.172072; p = 0.5801). Although the Indonesian regulatory framework encourages the formation of sustainability governance structures to promote responsible finance (OJK, 2017; OJK, 2021), the results imply that the mere establishment of a sustainability committee does not necessarily enhance market perceptions or increase firm valuation.

This finding highlights that procedural compliance with governance mandates alone may not yield tangible economic benefits in the absence of substantive implementation.

From a Legitimacy Theory perspective, sustainability reporting serves as a strategic tool through which firms attempt to gain social approval and mitigate legitimacy gaps (Suchman, 1995). However, the results indicate that legitimacy derived from such disclosure practices does not automatically translate into improved firm value. This may reflect that sustainability-related initiatives are still perceived by market participants as largely symbolic rather than genuinely embedded within business operations.

E. Moderating Role of the Sustainability Committee

To further investigate whether the sustainability committee moderates This study estimates Regression Model 2 by adding an interaction term between sustainability disclosure and the sustainability committee in order to determine the link between sustainability disclosure and company value. An evaluation of the conditional impact of sustainability disclosure under various governance frameworks is made possible by this approach. Table 6 displays the outcomes of Model 2's hypothesis testing.

Table 6. Hypothesis Testing Model 2

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.398385	2.350887	0.169462	0.8659
SD	1.479496	2.552966	0.579520	0.5639
SC	1.257829	3.289149	0.382418	0.7032
SD x SC	-1.563787	3.587634	-0.435882	0.6641

Source: *Data processed with Eviews 12, 2026*

According to Model 2's estimated results, there is no moderating influence of the Sustainability Committee on the association between company value and Sustainability Disclosure. The presence of a sustainability committee does not appear to increase or decrease the effect of disclosure on business valuation, as indicated by the statistical significance of the interaction term (SD×SC) ($\beta = -1.563787$; $p = 0.6641$). From a conceptual standpoint, the goal of sustainability committees is to improve governance procedures and guarantee that corporate decision-making frameworks incorporate sustainability principles (OJK, 2021). However, the findings show that this governance mechanism has not yet been shown to be a successful strategic tool for enhancing business performance. This result supports the assertion made by Amin et al. (2023) that governance structures alone do not generate economic value without genuine and substantive execution.

The results of Model 2 indicate that the interaction variable between A regression coefficient of -1.563787 at a significance level of $p > 0.05$ between sustainability disclosure and the sustainability committee suggests that the latter does not act as a moderator of the former's impact on company value. Although there is no statistically significant effect, the negative coefficient indicates that sustainability disclosure and business value are not as strongly related when a sustainability committee is present.

These findings indicate that the existence of a sustainability committee has not been able in order to make sustainability disclosures seem more credible or relevant to investors. With this finding, we agree with Silviani et al. (2024), who claims that the sustainability committee is a relatively new corporate governance mechanism, and therefore its implementation and effectiveness have not yet been fully optimized in strengthening the economic impact of sustainability practices.

From the standpoint of Signaling Theory, the absence of a moderating influence implies that investors do not interpret the existence of a committee for sustainability as a credible indicator of enhanced governance quality (Hardiyanti, 2025). As a result, its establishment does not increase the informational or market relevance of sustainability disclosures. This suggests that the mere institutionalization of sustainability-related governance bodies is insufficient to alter investor perceptions when such entities fail to produce measurable, value-enhancing outcomes.

Furthermore, under the lens of Legitimacy Theory, the formation of a sustainability committee can be understood as a corporate effort to secure societal approval and close legitimacy gaps (Putri, 2025). However, the empirical evidence reveals that this form of legitimacy tends to be social rather than economic, as it does not affects the value of a company in a big way. This finding lends credence to the idea that social legitimacy does not automatically translate into capital market legitimacy. Overall, the results of Model 2 emphasize that, in the Indonesian context, sustainability committees remain largely procedural and administrative in nature rather than strategic, thereby constraining their role as an effective moderating mechanism in strengthening the connection between corporate value and sustainability disclosure.

V. CONCLUSIONS

This study's empirical findings provide important insights into the relationship between sustainability disclosure, the sustainability committee, and firm value. Specifically, it examines energy sector firms listed on the Indonesia Stock Exchange from 2022 to 2024 and finds that the latter acts as a moderating variable. The results show that sustainability disclosure has a positive effect on firm value, but it is not statistically significant. This suggests that investors in Indonesia's capital market still believe conventional financial metrics are more important when deciding how much to value a company. While the sustainability committee's formation is in line with regulatory expectations for sustainability governance, it has not yet developed into an effective strategic mechanism that can produce quantifiable economic outcomes because it does not appear to have any substantial direct influence on firm value. Research also shows that there is no meaningful interaction term between sustainability disclosure and business value, suggesting that the sustainability committee is not effective at moderating this link. This indicates that reported sustainability information is not significantly more credible, reliable, or market relevant just because a sustainability committee is there. Taken together, these results point to the fact that the energy industry in Indonesia is still mostly focused on procedural rather than strategic sustainability practices and governance structures. The significance of incorporating sustainability concepts into corporate decision-making processes, backed by robust governance systems and accountability mechanisms based on performance, is highlighted by this. Improving the level of trust and confidence among investors in developing countries and turning sustainability activities into long-term value creation for firms requires a stronger integration of sustainability into corporate strategy.

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