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IFRS Sustainability Disclosure and Firm Value: Profitability Mediation and SDGs Disclosure Moderation in Indonesian Firms

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Abstract

Background: The introduction of IFRS S1 and IFRS S2 has reshaped expectations for sustainability-related financial reporting. Nevertheless, empirical evidence remains inconclusive regarding whether disclosures aligned with these standards are reflected in firm valuation.
Objective: This study examines the relationships between the quality of disclosures aligned with IFRS S1 and IFRS S2 and firm value, while investigating profitability as a potential mediating mechanism and SDGs disclosure as a potential moderator.
Methods: This study employs a quantitative observational design using secondary data reported by non-financial issuers listed on the Indonesia Stock Exchange over the 2022–2025 period. The hypothesized relationships were estimated using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.
Results: The analysis reveals a significant negative relationship between IFRS S1 disclosure and profitability, whereas IFRS S2 disclosure is not significantly associated with profitability. Profitability is positively and significantly associated with firm value. The direct relationships between IFRS S1 disclosure, IFRS S2 disclosure, and SDGs disclosure and firm value are not statistically significant. An indirect effect of IFRS S1 disclosure on firm value through profitability is indicated, whereas no such effect is observed for IFRS S2 disclosure. SDGs disclosure does not significantly moderate the relationships between IFRS disclosure and firm value.
Conclusion: Within the observed Indonesian sample, profitability exhibits a stronger statistical association with market valuation than the sustainability disclosure variables examined as direct predictors. These findings contribute to the emerging-market evidence on IFRS-aligned sustainability reporting, although their interpretation remains limited to the sampled observations and the 2022–2025 study period.

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INTRODUCTION

Corporate assessment has increasingly moved beyond short-term earnings toward the creation of enduring economic, social, and environmental value (Epstein et al., 2017). Consequently, firms are evaluated not only on their capacity to generate profits but also on the broader implications of their activities for governance, society, and the environment (Xie et al., 2019). This broader orientation is consistent with the United Nations 2030 Agenda, whose 17 Sustainable Development Goals (SDGs) integrate economic, social, and environmental priorities within a common global development framework (United Nations, 2015).

Within this evolving reporting environment, sustainability reports provide a formal means of communicating material impacts, risks, performance, and managerial responses to stakeholders (Calabrese et al., 2019). The GRI framework promotes transparent and comparable reporting of impacts on the economy, the environment, and people (Global Reporting Initiative [GRI], 2021). In Indonesia, this practice is supported by Financial Services Authority Regulation Number 51/POJK.03/2017, which establishes sustainability reporting obligations for financial institutions, issuers, and public companies (Otoritas Jasa Keuangan [OJK], 2017). Mutiha (2022) distinguishes between the earlier voluntary reporting stage and the subsequent mandatory phase, which began for public companies in 2020.

The need for more comparable and decision-useful sustainability information prompted the IFRS Foundation, through the International Sustainability Standards Board (ISSB), to issue IFRS S1 and IFRS S2 in June 2023 (IFRS Foundation, 2023a, 2023b). IFRS S1 addresses sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance, or cost of capital over the short, medium, or long term through disclosures concerning governance, strategy, risk management, and metrics and targets (IFRS Foundation, 2023a). IFRS S2 applies this disclosure architecture specifically to climate-related physical risks, transition risks, and opportunities (IFRS Foundation, 2023b).

The introduction of these standards coincides with the expanding role of Environmental, Social, and Governance (ESG) information in capital market analysis. More informative disclosure can reduce information asymmetry by improving external users' understanding of a firm's condition and prospects. Under signaling theory, credible corporate information may therefore function as a signal to external stakeholders (Spence, 1978). Nevertheless, prior studies continue to report varying market responses across reporting contexts and disclosure measures (Wiharjo & Ekadjaja, 2024).

Firm value captures the market's assessment of a company's expected economic prospects. This study uses Tobin's Q, a market-based indicator that relates a company's market valuation to the value of its underlying assets (Chung & Pruitt, 1994). Sustainability information may be relevant to firm valuation when market participants consider it sufficiently credible and useful for assessing future cash flows, risks, and corporate resilience.

Stakeholder Theory and Legitimacy Theory provide complementary explanations for the potential relationship between sustainability disclosure and firm value. Stakeholder Theory focuses on how firms manage relationships with parties that can affect, or be affected by, corporate activities (Freeman, 1984). Legitimacy Theory, in contrast, emphasizes consistency between organizational conduct and prevailing social norms and expectations as a basis for maintaining social acceptance and trust (Suchman, 1995). Sustainability reporting can therefore serve both informational and legitimacy-related functions.

Empirical findings, however, do not point in a single direction. Positive associations between sustainability disclosure and firm value have been reported by (Mutiha, 2022; Pakiding et al., 2024; Situmorang & Bimo, 2023). Nahl and Zumratul (2023) identify a negative relationship, whereas Suhartini et al. (2024) report neither a direct effect nor an indirect effect through financial performance. Wiharjo and Ekadjaja (2024) further demonstrate that the results differ across disclosure dimensions, with environmental disclosure being significant, whereas general, economic, and social disclosure components are not. These inconsistencies suggest that intervening mechanisms and contextual conditions may shape the relationship between sustainability disclosure and firm valuation.

Comparable variations are evident in ESG studies. Rohendi et al. (2024) find that ESG disclosure is not directly associated with firm value but is indirectly associated with it through competitive advantage. Eriandani and Winarno (2024), meanwhile, find that higher ESG risk is associated with lower firm value and demonstrate that materiality disclosure can moderate this relationship. Collectively, these findings justify examining variables that may mediate or moderate the relationship between sustainability information and market valuation.

Profitability is examined as one such mechanism because it reflects how effectively a company converts its managed resources into earnings and is therefore relevant to investor assessments. Dewi and Muhyarsyah (2025) include profitability among the financial determinants of firm value for companies listed in the IDX ESG Leaders. Achmad and Widoretno (2025) examine sustainability disclosure, governance, financial performance, and firm value,

finding no significant relationship between disclosure and financial performance but identifying a positive relationship between disclosure and firm value. The pathway connecting sustainability disclosure, financial performance, and firm valuation therefore remains empirically unresolved (Achmad & Widoretno, 2025).

Accordingly, the proposed model treats profitability as a potential mediating mechanism rather than merely as an additional predictor. It examines whether IFRS S1- and IFRS S2-aligned disclosures are associated with profitability and whether profitability, in turn, is associated with firm value. This specification reflects earlier evidence indicating that sustainability reporting may be directly associated, indirectly associated, or statistically unrelated to firm value, depending on the mechanism examined (Suhartini et al., 2024).

The study also introduces SDGs disclosure as a moderating variable. The Sustainable Development Goals establish an international framework that integrates economic, social, and environmental development priorities and calls for active private-sector participation (United Nations, 2015). From a signaling perspective, disclosure of SDG-related commitments may convey a firm's long-term sustainability orientation (Spence, 1978). From a legitimacy perspective, alignment with societal priorities may strengthen organizational acceptance (Suchman, 1995). The moderation analysis therefore examines whether the strength of the relationship between IFRS-aligned disclosure and Tobin's Q varies according to the extent of SDGs disclosure, rather than treating SDGs disclosure as a measure of actual environmental performance.

The study responds to three related conditions: the recent introduction of IFRS sustainability disclosure standards, inconsistent empirical evidence concerning the relationship between sustainability disclosure and firm valuation, and limited research that distinguishes between IFRS S1- and IFRS S2-aligned disclosures while jointly examining profitability and SDGs disclosure. Accordingly, the empirical model evaluates the two IFRS-aligned disclosure measures separately, tests profitability as a potential mediating mechanism, and assesses SDGs disclosure as a moderating variable. Its contribution lies in explicitly distinguishing these alternative mechanisms within a single analytical framework rather than claiming novelty merely from combining multiple variables.

METHOD

A quantitative explanatory research design was employed to estimate the hypothesized relationships among the independent, mediating, moderating, and dependent constructs. The analysis relied on secondary corporate data obtained from annual reports, sustainability reports, financial statements, and capital market sources published by the sampled companies and the Indonesia Stock Exchange (IDX). Partial Least Squares Structural Equation Modeling (PLS-SEM) was performed using SmartPLS 4 to estimate the structural relationships.

The target population comprised non-financial companies listed on the Indonesia Stock Exchange during the 2022–2025 period. These companies were selected because sustainability and ESG issues were materially relevant to many non-financial business activities and because their reporting practices provided an appropriate setting for examining IFRS S1- and IFRS S2-aligned disclosures. After data collection and screening, the final dataset comprised 132 observations.

Table 1
Operationalization of Variables

Variable	Proxy	Scale
IFRS S1	Disclosure Index	Rasio
IFRS S2	Disclosure Index	Rasio
Profitability	ROA	Rasio
SDGs Disclosure	SDGs Index	Rasio
Firm Value	Tobin's Q	Rasio

Research Model Equations
Mediation equation
$ROA = \alpha_1 + \beta_1(IFRS_S1) + \beta_2(IFRS_S2) + \varepsilon_1$

Main structural equation

$TQ = \alpha_2 + \beta_3(IFRS_S1) + \beta_4(IFRS_S2) + \beta_5(ROA) + \beta_6(SDGs) + \beta_7(IFRS_S1 \times SDGs) + \beta_8(IFRS_S2 \times SDGs) + \varepsilon_2$

RESULTS AND DISCUSSION

Results

General Overview of Research Data

The empirical dataset covers nonfinancial issuers listed on the Indonesia Stock Exchange (IDX) during 2022–2025. The final dataset comprises 132 usable observations. The information used to construct the research variables was obtained from annual reports, sustainability reports, financial statements, and relevant capital market disclosures.

The model specifies IFRS S1 Disclosure and IFRS S2 Disclosure as the predictor variables, Return on Assets (ROA) as the profitability measure and mediating variable, SDGs Disclosure as the moderating variable, and Tobin's Q as the proxy for firm value and the dependent variable.

All structural relationships were estimated using SmartPLS 4 and partial least squares structural equation modeling (PLS-SEM). The model evaluates the paths from IFRS S1 and IFRS S2 disclosure to profitability and firm value, the path from profitability to firm value, the direct effect of SDGs disclosure on firm value, the indirect effects through profitability, and the two interaction terms involving SDGs disclosure.

Descriptive Statistics

Before evaluating the structural relationships, descriptive statistics were calculated to summarize the distribution of each variable. Table 2 reports the mean, standard deviation, minimum, and maximum values used for this preliminary assessment.

Table 2

Descriptive Statistics of Research Variables

Variable	Mean	Std. Dev	Minimum	Maximum
IFRS S1 Disclosure	0,5467	0,2473	0,0526	0,9474
IFRS S2 Disclosure	0,5833	0,1946	0,1250	1,0000
Firm value	2,3867	2,0630	0,3283	7,9962
SDGs Disclosure	0,5633	0,2726	0,0000	1,0000
Profitability	0,0924	0,0845	-0,2032	0,3319

IFRS S1 Disclosure

The mean IFRS S1 disclosure index is 0.5467 (54.67%), indicating that the sampled observations, on average, report slightly more than half of the IFRS S1-related items included in the measurement framework.

IFRS S1 disclosure ranges from 0.0526 (5.26%) to 0.9474 (94.74%). The lower bound reflects observations with only limited alignment with the measured disclosure items, whereas the upper bound indicates that some observations cover nearly the entire set of indicators.

A standard deviation of 0.2473 indicates substantial dispersion in IFRS S1 disclosure across the sample. Thus, alignment with the IFRS S1-related disclosure criteria during the observation period is uneven, with marked differences between observations exhibiting relatively low and high levels of disclosure.

IFRS S2 Disclosure

The average IFRS S2 disclosure index is 0.5833 (58.33%), exceeding the mean for IFRS S1. On average, the sampled observations therefore demonstrate somewhat greater coverage of the climate-related items captured by IFRS S2 than of the broader IFRS S1 indicators.

IFRS S2 values range from 0.1250 (12.50%) to 1.0000 (100%). The upper endpoint indicates that at least some observations satisfy every IFRS S2 indicator included in the study's disclosure index.

The standard deviation for IFRS S2 is 0.1946, which is lower than the dispersion recorded for IFRS S1. Although climate-related disclosure is therefore somewhat less dispersed, the wide minimum-to-maximum interval still indicates differences in the extent to which firms report

climate-related risks, opportunities, strategies, metrics, and related information.

SDGs Disclosure

The SDGs disclosure index has a mean of 0.5633 (56.33%), suggesting that references to corporate contributions to the Sustainable Development Goals (SDGs) are present in slightly more than half of the measured items, on average.

The SDGs index spans the full observed range, from 0.0000 to 1.0000. Accordingly, some observations contain none of the SDGs disclosure items captured by the measurement instrument, whereas others contain the complete set.

Its standard deviation of 0.2726 is relatively large compared with those of the other disclosure measures. This dispersion indicates pronounced heterogeneity in the extent to which sampled companies incorporate SDGs-related information into their reports.

Profitability

ROA, used as the profitability proxy, averages 0.0924 (9.24%). In descriptive terms, the sampled observations therefore report earnings equivalent to approximately 9.24% of total assets, on average.

Profitability ranges from -0.2032 (-20.32%) to 0.3319 (33.19%). The negative minimum captures loss-making observations, whereas the upper value reflects observations with comparatively strong returns on assets.

The ROA standard deviation is 0.0845, confirming meaningful variation in financial performance. The coexistence of negative and relatively high positive ROA values underscores the heterogeneous profitability conditions represented in the sample.

Firm Value

Tobin's Q, the study's proxy for firm value, has a sample mean of 2.3867. Because values above one indicate that the market value of a firm exceeds the book value of its assets, this mean suggests that, on average, the sampled firms are valued above their asset base.

Observed Tobin's Q values range from 0.3283 to 7.9962, indicating considerable differences in market-based valuation across the sampled observations.

The standard deviation of 2.0630 further underscores the substantial dispersion in Tobin's Q. Differences in profitability, growth expectations, sector characteristics, and information available to capital market participants may contribute to this heterogeneity, although these explanations are not directly tested in the present model.

Hypothesis Testing Results

Hypothesis testing evaluates the specified relationships among IFRS S1 disclosure, IFRS S2 disclosure, profitability, SDGs disclosure, and firm value, including the indirect paths through profitability and the interaction terms involving SDGs disclosure. The significance of each path was assessed through bootstrapping in SmartPLS 4.

Table 3

Summary of Hypothesis Testing Results

Hypothesis	Relationship Tested	Result
H1	IFRS S1 → Profitability	Accepted, significant negative effect
H2	IFRS S2 → Profitability	Rejected
H3	Profitability → Firm Value	Accepted, significant positive effect
H4	IFRS S1 → Firm Value	Rejected
H5	IFRS S2 → Firm Value	Rejected
H6	SDGs → Firm Value	Rejected
H7	IFRS S1 → Profitability → Firm Value	Indicated indirect mediation
H8	IFRS S2 → Profitability → Firm Value	Mediation not proven
H9	SDGs × IFRS S1 → Firm Value	Rejected
H10	SDGs × IFRS S2 → Firm Value	Rejected

Testing the Influence of IFRS S1 and IFRS S2 on Profitability

For H1, IFRS S1 disclosure is significantly related to profitability, and the estimated direction is negative. H1 is therefore supported. Within the observed data, higher IFRS S1 disclosure scores correspond to lower profitability rather than to the positive pattern that might otherwise be expected.

This negative relationship indicates that stronger IFRS S1-aligned disclosure does not coincide with higher short-term financial performance in this sample. The result should be interpreted as an observed statistical association rather than as evidence that disclosure itself causes profitability to decline.

H2 is not supported because the path from IFRS S2 disclosure to profitability is not statistically significant. Variation in the measured extent of climate-related disclosure therefore does not explain a statistically detectable proportion of profitability differences in the estimated model.

The two sustainability standards consequently exhibit different empirical patterns. The broader IFRS S1 measure is significantly associated with profitability, although negatively, whereas the climate-focused IFRS S2 measure shows no significant relationship with profitability.

The Effect of Profitability on Firm Value

The H3 path from profitability to firm value is positive and statistically significant; accordingly, H3 is supported.

Higher ROA is associated with higher Tobin's Q within the estimated model. Profitability therefore emerges as the financial variable with a direct statistical relationship with the market-based firm-value measure used in this study.

This result is notable because profitability is the only variable among the direct predictors discussed here that exhibits a significant relationship with firm value. This pattern highlights the relative importance of contemporaneous financial performance in the observed sample of nonfinancial IDX-listed firms.

The Influence of IFRS S1 Disclosure on Firm Value

H4 is not supported because the direct path from IFRS S1 disclosure to firm value is statistically insignificant.

Accordingly, higher or lower IFRS S1-aligned disclosure scores are not accompanied by a statistically detectable difference in Tobin's Q after accounting for the other relationships in the model. The result does not indicate a direct valuation response to IFRS S1 disclosure within this sample.

The IFRS S1 results therefore differ across the two outcomes: disclosure is significantly related to profitability but not directly to firm value. This combination warrants examining whether any association with firm value operates through an intervening profitability pathway rather than through a direct path.

The Influence of IFRS S2 Disclosure on Firm Value

The direct IFRS S2-firm-value relationship tested in H5 is not statistically significant; H5 is therefore not supported.

Thus, the measured extent of climate-related risk and opportunity disclosure is not directly associated with Tobin's Q in the estimated model. This remains the case despite the sample mean for IFRS S2 disclosure being 58.33%.

Within the boundaries of this specification, climate-related disclosure does not emerge as an independent direct predictor of firm value.

The Effect of SDGs Disclosure on Firm Value

H6 is not supported because the direct association between SDGs disclosure and firm value is statistically insignificant.

The level of SDGs reporting therefore does not account for a statistically significant difference in Tobin's Q within the model. Although the mean SDGs disclosure index is 56.33%, variation around that level is not statistically related to firm value.

Corporate reporting on contributions to the Sustainable Development Goals consequently

shows no significant direct relationship with the market-based valuation measure during the observed period.

Results of Testing the Mediation Effect of Profitability

The mediation analysis examines whether profitability constitutes an indirect channel connecting IFRS S1 or IFRS S2 disclosure with firm value.

For H7, the reported results indicate an indirect pathway from IFRS S1 disclosure to firm value through profitability. This pattern suggests that the IFRS S1-firm-value relationship, if present indirectly, operates through the profitability pathway rather than through the statistically insignificant direct path.

The component paths are consistent with this interpretation: IFRS S1 is significantly related to profitability, profitability is significantly related to firm value, and the direct IFRS S1-firm-value path is not significant. These results provide statistical grounds for considering profitability as an intervening channel.

The direction of this channel requires particular caution. IFRS S1 is negatively related to profitability, whereas profitability is positively related to firm value. Therefore, the indirect pattern cannot be summarized as evidence that greater IFRS S1 disclosure necessarily increases firm value.

H8 is not supported because profitability does not provide an empirically established pathway between IFRS S2 disclosure and firm value. This outcome is consistent with the nonsignificant first-stage relationship between IFRS S2 disclosure and profitability.

In the reported model, an indirect profitability channel is consequently indicated only for IFRS S1 disclosure, not for IFRS S2 disclosure.

Results of Testing the Moderation Effect of SDGs Disclosure

The moderation analysis examines whether the relationships between IFRS S1 and IFRS S2 disclosure and firm value vary according to the level of SDGs disclosure.

The IFRS S1 × SDGs interaction specified in H9 is not statistically significant; H9 is therefore not supported.

Accordingly, the estimated IFRS S1-firm-value relationship does not differ significantly across lower and higher levels of SDGs disclosure. The data provide no evidence that SDGs reporting changes the strength of this relationship in the observed sample.

The H10 interaction between IFRS S2 disclosure and SDGs disclosure is likewise nonsignificant; therefore, H10 is not supported.

SDGs disclosure consequently does not operate as a statistically detectable conditioning factor in the relationship between IFRS S2 climate-related disclosure and firm value.

Taken together, the two interaction tests provide no empirical support for the proposed moderating role of SDGs disclosure in the estimated model.

Summary of Empirical Findings

The statistical analysis yields five principal empirical patterns.

First, IFRS S1 disclosure is significantly and negatively related to profitability, whereas the IFRS S2-profitability path is not significant. The results therefore distinguish the empirical behavior of broader sustainability-related disclosure from that of the climate-specific disclosure measure.

Second, profitability exhibits a positive and significant relationship with firm value, making it the direct financial-performance variable that is statistically associated with Tobin's Q in the model.

Third, none of the three disclosure variables—IFRS S1, IFRS S2, and SDGs disclosure—shows a statistically significant direct relationship with firm value in the observed sample.

Fourth, profitability is indicated as an indirect channel between IFRS S1 disclosure and firm value, whereas the corresponding mediation pathway for IFRS S2 is not supported.

Fifth, SDGs disclosure does not significantly condition either the IFRS S1-firm-value or IFRS S2-firm-value relationship. The interaction results therefore do not support the proposed moderation hypotheses.

Overall, the model establishes a clearer statistical association between firm value and

profitability than between firm value and the disclosure indices entered as direct predictors. The results suggest a possible indirect role for financial performance rather than a uniform direct market response to IFRS- or SDGs-related reporting.

Discussion

The Influence of IFRS S1 Disclosure on Profitability

The negative and significant relationship between IFRS S1 disclosure and profitability indicates that stronger alignment with the measured IFRS S1 disclosure items is associated with lower ROA during the observation period. One possible explanation is that firms in the early stages of strengthening their sustainability governance may incur measurement, systems development, reporting, and compliance expenditures before any financial benefits become apparent. Such an explanation is plausible because the economic benefits of sustainability initiatives may emerge only over a longer period. Achmad and Widoretno (2025) likewise report no significant relationship between sustainability disclosure and financial performance among Indonesian energy companies. The present result therefore aligns with a broader body of evidence suggesting that enhanced sustainability disclosure does not immediately translate into improved profitability.

Nevertheless, the cost-based explanation should be treated as theoretical because this study does not directly measure implementation or compliance costs. A further timing issue is also important: IFRS S1 and IFRS S2 were issued in June 2023. Consequently, observations from 2022 represent retrospective assessments against subsequently issued disclosure criteria rather than formal reporting under standards that were already in effect.

The Influence of IFRS S2 Disclosure on Profitability

IFRS S2 disclosure is not significantly associated with profitability in the estimated model. Climate-related reporting on risks and opportunities therefore does not correspond to a statistically detectable difference in ROA in this sample. This pattern is broadly consistent with Achmad and Widoretno (2025), who find that sustainability disclosure does not significantly improve financial performance among Indonesian energy-sector firms.

ESG disclosure may not be accompanied by immediate profitability gains when sustainability reporting is approached primarily as a compliance requirement rather than as an integrated value-creation process. In this context, any economic consequences of IFRS S2-aligned climate disclosure may require a longer period to materialize than the observation window can capture.

The Effect of Profitability on Firm Value

Profitability is positively and significantly related to firm value, a pattern consistent with signaling theory, insofar as stronger earnings performance can convey favorable information about corporate prospects. Dewi and Muhyarsyah (2025) likewise identify profitability as an important explanatory factor for firm value among IDX ESG Leaders companies.

The present findings therefore reinforce the statistical relevance of profitability to market-based valuation among the sampled Indonesian firms. However, they do not directly establish what investors considered when forming those valuations because investor motivations were not measured.

The Influence of IFRS S1 Disclosure on Firm Value

The absence of a significant direct path between IFRS S1 disclosure and firm value indicates that the sampled data do not show a measurable valuation response to the IFRS S1-aligned disclosure index. This differs from studies reporting positive associations between sustainability disclosure and firm value (Mutiha, 2022; Pakiding et al., 2024; Situmorang & Bimo, 2023). The present nonsignificant coefficient is limited to the firms and years analyzed and should not be generalized as evidence that the entire Indonesian capital market disregards sustainability-related financial information.

The result is more consistent with studies reporting a negative relationship between sustainability reporting and firm value (Nahl & Zumratul, 2023) or no direct effect (Suhartini et al., 2024). Taken together, these contrasting findings indicate that the relationship between

disclosure and firm value remains context-dependent, potentially varying according to sector characteristics, reporting quality, and how market participants interpret sustainability information.

The Influence of IFRS S2 Disclosure on Firm Value

The direct path from IFRS S2 disclosure to firm value is also statistically insignificant. Thus, the climate-related disclosure index used in this study is not associated with a measurable difference in Tobin's Q. Prior evidence is mixed: Wiharjo and Ekadjaja (2024) find that only the environmental dimension of sustainability reporting is significantly associated with firm value, whereas Suhartini et al. (2024) report no direct effect of sustainability reporting on firm value. Such contrasts suggest that climate-related information may be valued differently across sectors and measurement settings. Because this study does not examine investors' decision-making criteria, the nonsignificant coefficient cannot be interpreted as proof that investors assign little importance to climate information.

The Effect of SDGs Disclosure on Firm Value

SDGs disclosure likewise shows no significant direct relationship with firm value. This result is consistent with Wiharjo and Ekadjaja (2024), who find that several sustainability disclosure dimensions are not significantly related to firm value, but contrasts with studies reporting positive associations (Mutiha, 2022; Pakiding et al., 2024). This divergence suggests that the valuation relevance of SDGs reporting may depend on disclosure quality, materiality, sector context, and how sustainability information is interpreted by market participants.

Profitability as a Mediating Variable

Profitability is indicated as an indirect channel in the relationship between IFRS S1 disclosure and firm value. This interpretation is broadly aligned with Rohendi et al. (2024), who show that ESG disclosure is related to firm value indirectly rather than directly, and with Achmad and Widoretno (2025), who use PLS-SEM to examine the mediating role of financial performance. The present findings therefore support the possibility that market valuation may be associated with sustainability disclosure through financial performance rather than through a direct disclosure pathway. Given the negative coefficient for the IFRS S1-profitability relationship, however, the indirect effect implied by these paths is negative and should not be interpreted as value-enhancing.

SDGs Disclosure as a Moderating Variable

Neither interaction term involving SDGs disclosure is statistically significant. Therefore, the study finds no evidence that SDGs reporting changes the strength of the relationships between IFRS S1 or IFRS S2 disclosure and firm value. Importantly, the absence of significant moderation should not be used to characterize SDGs reporting as merely symbolic; the result is limited to the specific interaction effects tested in this sample.

CONCLUSION

This study examines the statistical relationships between IFRS S1- and IFRS S2-aligned sustainability disclosure and firm value among nonfinancial companies listed on the Indonesia Stock Exchange during 2022–2025, while positioning profitability as a mediating variable and SDGs disclosure as a moderating variable. IFRS S1 disclosure is significantly associated with profitability in a negative direction, whereas the relationship between IFRS S2 disclosure and profitability is not significant. Profitability, in contrast, is positively and significantly related to firm value. Because the research design is observational, the findings should be understood as relationships within the analyzed sample rather than as causal effects or direct evidence of investor preferences.

The direct paths from IFRS S1, IFRS S2, and SDGs disclosure to firm value are not statistically significant. Profitability is indicated as an indirect pathway in the relationship between IFRS S1 disclosure and firm value, but an equivalent pathway is not supported for IFRS S2. SDGs disclosure does not significantly moderate either of the relationships between IFRS disclosure and firm value. Collectively, the evidence demonstrates a stronger statistical

association between profitability and Tobin's Q than between firm value and the disclosure indices entered as direct predictors. Subsequent studies should document their sampling frames more explicitly, account for repeated observations where applicable, and report complete bootstrapping results across different sectors and longer reporting periods.

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AUTHOR CONTRIBUTION STATEMENT

Suhendra: Conceptualization, methodology, data collection, data curation, formal analysis, investigation, software analysis, visualization, writing–original draft, and manuscript preparation. Limajatini: Conceptualization, supervision, methodology, validation, interpretation of results, writing–review and editing, and final manuscript review. Both authors contributed to the development of the research, discussed the findings, reviewed the manuscript, and approved the final version for publication.

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