

The Effect of ESG Performance and Profitability on Company Value with Audit Quality as a Moderation Variable (Empirical Study on Energy Sector Companies Listed on the IDX and BGK Foundation's ESG Index in 2020-2022)

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Abstract.

Companies listed on the stock exchange are required to publicly disclose reports such as annual and financial statements through the Indonesia Stock Exchange (IDX) authority and their respective company websites for investors and potential investors. This study aims to analyze and empirically test the effect of ESG performance and profitability on firm value, with audit quality as a moderating variable, in companies listed on the IDX and the ESG Index BGK Foundation in 2020–2022. This quantitative research applies the Moderated Regression Analysis (MRA) method, processed using Eviews 12. The population in this study consists of energy sector companies, with a sample of 19 firms. Based on the study's results, it was found that ESG performance has a negative effect on company value, while profitability has no significant effect on company value. The results of the moderation test indicate that the audit quality variable weakens the negative effect of ESG performance on firm value; however, audit quality does not moderate the effect of profitability on firm value. The implications of this study highlight that, while ESG initiatives are crucial for long-term sustainability, excessive costs or limited market understanding of ESG practices may initially reduce firm value—particularly in developing markets where investors still prioritize short-term profitability.

Keywords: ESG Performance, Profitability, Audit Quality, Firm Value.

INTRODUCTION

Companies listed on the stock exchange have an obligation to prepare reports and disclosures that are open to the public (investors or potential investors). Reporting obligations, such as annual reports and financial statements, are published to the public both through the Indonesia Stock Exchange (IDX) authorities and on the respective company websites (Adriana, 2024; Fuad, Ariyani, & Handayani, 2020; Khomsatun & Rohman, 2024; Pujakusuma & Gowon, 2025; Sebrina, Taqwa, Afriyenti, & Septiari, 2023).

Sustainability Reporting (Lako, 2015) is a model of corporate information reporting to stakeholders that integrates financial reporting with social, environmental, and corporate governance reporting in an integrated reporting package. Sustainability Reports (SR) are designed to assist companies in planning, preparing, reporting, and disclosing information regarding the company's commitments, implementation, measurement, disclosure, and accountability for managing economic, social, and environmental issues, as well as corporate governance, to both internal and external stakeholders. This aims to realize the company's sustainable vision and goals. By providing complete, relevant, reliable, and sustainable information, it is hoped that stakeholders will be able to evaluate and make appropriate and accurate economic and non-economic decisions (Ali & Cottle, 2021; Amorocho-Daza, Cabrales, Santos, & Saldarriaga, 2019; El-Halaby, Hussainey, & Abou-El-Sood, 2018; Žuk & Žuk, 2024).

The increasing awareness and commitment of global and Indonesian companies to

implement SR are not solely triggered by pressure from global market participants and government regulations but also by companies' own awareness of the need to gain broader stakeholder acceptance. Furthermore, this commitment is influenced by the benefits for companies—both economic and non-economic—that can be obtained in the short and long term when reporting is implemented sustainably. Theoretically, implementing SR is believed to enhance stakeholders' appreciation of accountability and transparency in company information, which has positive implications for their decisions. This reporting also provides companies with convenience in funding, investment decisions, and business operations, ultimately improving business performance, financial performance, and long-term company value.

Previous research on SR has largely focused on examining its impact on specific financial performance indicators. SR is proxied through the measurement of a disclosure index based on standards, such as the Global Reporting Initiative (GRI) Standard. The GRI Standard is a disclosure framework developed by the Global Reporting Initiative, an independent international organization that has pioneered sustainability reporting since 1997. In 2015, GRI established the Global Sustainability Standards Board (GRI GSSB), which is specifically tasked with developing sustainability reporting standards. Toward the fourth quarter of 2016, GRI GSSB introduced the GRI Standards, which were launched in Indonesia in 2017. The GRI Standards came into effect on July 1, 2018. This research will use indicators based on GRI Standards, so the SR examined begins in 2018 (Orazalin & Mahmood, 2020; Tarquinio, Raucci, & Benedetti, 2018; Yang, Orzes, Jia, & Chen, 2021).

This research focuses on the influence of sustainability reporting disclosure measured through Environmental (E), Social (S), and Governance (G) indicators on energy sector companies in Indonesia. The selection of this sector is based on environmental damage often occurring in areas with mining activity, such as Central Kalimantan. WALHI (2019) reported problems of land grabbing by plantation companies and abandoned mining pits in Central Kalimantan, which have caused social, economic, and environmental impacts on local communities.

Global issues such as environmental protection, responsible sourcing, and the welfare of communities around mining areas are of particular concern to the Indonesian government going forward. The government is expected to pursue these agendas more seriously, while non-governmental organizations (NGOs) will become increasingly critical of all forms of environmental degradation.

Indonesia's abundance of natural resources in the mining sector as an energy source makes conventional energy a cornerstone of national economic development. However, the dependence of the national economy and energy on petroleum, natural gas, and coal often undermines environmental protection and conservation, leading to issues such as water and air pollution, soil degradation, forest fires, and the conversion of agricultural land.

Moreover, coal stocks entered a positive trend or bullish phase during 2020–2022, in line with coal prices reaching an all-time high of US\$463.75 per ton. Global coal prices soared to historic levels due to disruptions in gas supply from Russia to Europe, driving increased demand for coal as an alternative energy source.

The rise in coal prices significantly affected the performance of the combined stock index

in the energy sector. Coal commodities, which are part of the IDX energy sector, boosted the energy index following higher demand for coal stocks. However, there are numerous compliances demands that must also be met, including occupational safety and health, environmental regulations, reclamation, post-mining, social responsibility, and business continuity.

A study by Giljum et al. (2022) revealed that Indonesia experienced the world's highest tropical forest destruction due to mining activities, accounting for 58.2 percent of deforestation among 26 countries studied. This tropical deforestation peaked between 2010–2014 and continues today. Such conditions ultimately lead to a further decline in natural resource and environmental productivity, fostering poverty among communities dependent on these resources (Rodiyah et al., 2023).

This situation compels mining company management to work harder to maintain a healthy corporate image and sustain company value by providing transparent public information through disclosures in Sustainability Reports. Investors today are more attracted to non-financial disclosures than to traditional financial economic indicators. A 2016 report by the Investor Responsibility Research Center Institute (IRRCi) shows that investors and portfolio managers are integrating Environmental, Social, and Governance (ESG) information into their investment decisions.

The relevance of non-financial information has increased sharply over the past few years. Most top executives at large multinational corporations believe that non-financial performance measures are more valuable than traditional financial measures in assessing long-term value (J. R. Cohen et al., 2012). This shift in informational preferences has driven a substantial rise in the volume of non-financial information submitted by companies to stakeholders and market participants. Thus, mandated financial reporting alone no longer provides a complete picture of a company and remains too short-term oriented (Holder-Webb et al., 2009).

This issue is particularly interesting to examine empirically within Indonesia's financial market context, focusing on the relevance of financial and non-financial information to company value—a reflection of public trust developed over the company's lifetime (Sembiring & Trisnawati, 2019). High corporate value indicates good company performance and trustworthy prospects for investors.

Company value is a key consideration for investors making business investments. Companies with high value tend to yield higher returns with lower associated risk. This increases investors' tendency to invest and positively affects firm value in the capital market. Company valuation can be measured in various ways. Several studies have used Tobin's Q (Aboud & Diab, 2018; Sawitri & Setiawan, 2019a) and price-to-book value (Anna & Dwi R.T., 2019; Asriyani & Mawardi, 2018).

Research on Corporate Social Responsibility (CSR) has found significant relationships between CSR measurements, particularly in the social dimension, and company value (Bajic & Yurtoglu, 2018). More specifically, companies with higher ESG disclosure ratings (ESG index) demonstrate higher firm value (Aboud & Diab, 2018). However, research on environmental disclosure shows diverse results: some studies found no effect on company value (Deswanto & Siregar, 2018; Evans, 2017), while others found a positive correlation between environmental disclosure and company performance (Haninun et al., 2018).

Strong ESG practices may positively influence a company's financial performance and value creation. However, the extent of this impact may depend on the quality of the audit procedure. High-quality audits provide stakeholders with greater confidence in the accuracy and reliability of a company's ESG disclosures, thereby enhancing trust in the company's overall performance and value (Dakhli, 2022).

Audit quality is considered an important governance mechanism for managing agency conflicts (Watkins et al., 2004). In an agency environment, information asymmetry between stakeholders and managers creates agency costs. Therefore, companies typically seek independent auditors to mitigate opportunistic behavior (Buchanan et al., 2021). This research recognizes the dynamic role of audit quality as a moderating variable influencing ESG and financial performance effects on company value.

Based on the above description and phenomena observed in the energy sector, this research aims to analyze and explain the influence of Environmental, Social, and Governance (ESG) performance and profitability on company value, with audit quality as a moderating variable. The study focuses on energy sector companies listed on the IDX and included in the ESG Index of the BGK Foundation during the 2020–2022 period. The main objective is to determine whether good ESG performance and high profitability can increase firm value and whether audit quality strengthens or weakens this relationship.

The benefits of this research are twofold—both theoretical and practical. Theoretically, this study contributes to the development of financial management and sustainability accounting knowledge by integrating ESG factors into firm value analysis and examining the moderating role of audit quality, which remains underexplored in emerging markets. Practically, the findings are expected to offer valuable insights for investors, regulators, and corporate managers in formulating strategies that align financial objectives with sustainability initiatives. Moreover, the results may assist policymakers in designing regulatory frameworks that encourage transparent and sustainable corporate practices, while guiding auditors and practitioners in enhancing audit quality to ensure the reliability of sustainability and financial disclosures.

MATERIALS AND METHOD

The type of research used in this study is causal research, which aims to test the hypothesis regarding the influence of ESG performance and profitability as independent variables on the company's value as a dependent variable, with audit quality acting as a moderation variable. The data used in this study is secondary data obtained from the annual report and ESG disclosure score published by the BGK Foundation through its website. The research population includes all energy sector companies listed on the Indonesia Stock Exchange during the period 2020 to 2022, with a total of 76 companies. The research sample was determined using purposive sampling techniques based on certain criteria, including companies that have complete ESG disclosure score data and financial statements. The research model used to test the hypothesis is a mathematical equation involving the Price Book Value (PBV) ratio as the company's value, with ESG performance measurements based on the ESG disclosure score from the BGK Foundation. In addition, profitability variables are measured using the Return on Assets (ROA) ratio, and audit quality is measured by dummy variables that

indicate the type of auditor. The data analysis technique was carried out using a quantitative method using Eviews software, with model testing that included classical assumption tests, model feasibility tests, and regression analysis to identify the influence of independent variables on dependent variables and the role of audit quality moderation.

RESULTS AND DISCUSSION

Data Analysis

Chow Test

The chow test was used to select the best approach between the Common Effect Model (CEM) approach model and the Fixed Effect Model (FEM) in estimating panel data. Some of the provisions in the chow test include:

- If the value of prob. For a cross section of the chi square $>$ a significant value of 0.05, the appropriate model to use is the Common Effect Model (CEM).
- If the value of prob. For a cross section of the chi square $<$ a significant value of 0.05, the right model to use is the Fixed Effect Model (FEM).

Table 1. Chow Test

Redundant Fixed Effects Tests Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	D.F.	Prob.
Cross-section F	9.536945	(18,34)	0.0000
Cross-section Chi-square	102.593625	18	0.0000

Source: Processed from Output Eviews 12

Based on the table above, the results of the Chow Test show the value of Prob. Chi Square Fixed Effect Test (0.0000) $<$ 0.05, then the best model in this test is the Fixed Effect Model (FEM).

Hausmann Test

The Hausmann test is used to select the best approach between the Random Effect Model (REM) approach model and the Fixed Effect Model (FEM) in estimating panel data. Some of the provisions in the Hausmann test include:

- If the value of prob. for a random cross section $>$ a significant value of 0.05, the right model to use is the Random Effect Model (REM).
- If the value of prob. For a random cross section $<$ a significant value of 0.05, the right model to use is the Fixed Effect Model (FEM).

Table 2. Hausmann test

Correlated Random Effects - Hausman Test Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	2.476998	4	0.6488

Source: Processed from Output Eviews 12

Based on the table above, the results of the Hausmann Test show the value of Prob. cross section random (0.6488) $>$ 0.05, so the best model in this test is the Random Effect Model

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(REM).

Lagrange Multiplier (LM) Test

The LM test is used to select the best approach between the Common Effect Model (CEM) approach model and the Random Effect Model (REM) in estimating panel data. Some of the provisions in the LM test include:

- If the value of prob. for Breusch-Pagan > a significant value of 0.05, the right model to use is the Common Effect Model (CEM).
- If the value of prob. for Breusch-Pagan < a significant value of 0.05, the right model to use is the Random Effect Model (REM).

Table 3. Lagrange Multiplier (LM) Test

Lagrange Multiplier Tests for Random Effects Null hypotheses: No effects Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
Cross-section	Test Hypothesis Time		Both
Breusch-Pagan	26.92075	1.083038	28.00379
	(0.0000)	(0.2980)	(0.0000)

Source: Processed from Output Eviews 12

Based on the table above, the results of the Lagrange Multiplier Test show the value of Prob. Breusch-Pagan (0.0000) < 0.05, so the best model in this test is the Random Effect Model (REM).

Normality Test

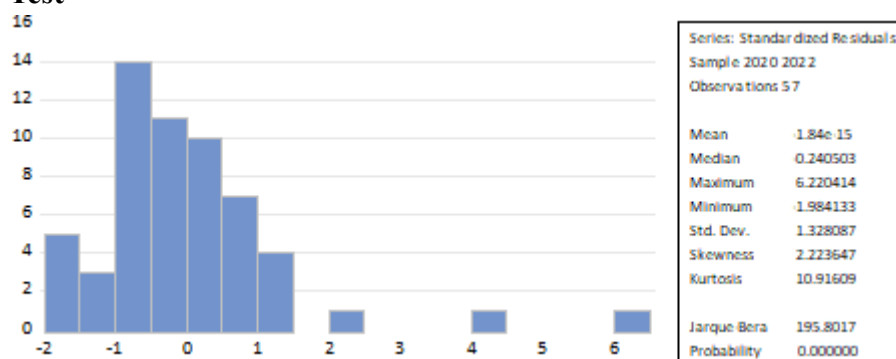


Figure 1. Source Normality Test: Processed from Output Eviews 12

Source: Processed from Output Eviews 12

The results of the normality test above show that the value of Prob. Jarque is 0.0000 (<0.05), so it can be concluded that the data in this study is not normally distributed, this is also in accordance with what is described in the results of the descriptive statistical test. Abnormal data distribution can be caused by small sample sizes.

Multicollinearity Test

Table 4. Multicollinearity Test

	X1	X2	M
X1	1,000000	0,136950	0,080656
X2	0,136950	1,000000	0,294838
M	0,080656	0,294838	1,000000

Source: Processed from Output Eviews 12

Based on the results of the Multicollinearity test, it can be seen that the correlation between variables does not exceed 0.7, which means that the variables in this study do not have multicollinearity problems.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Dependent Variable: RESABS Method: Panel Least Squares Date: 08/21/24 Time: 18:18 Sample: 2020 2022					
Periods included: 3					
Cross-sections included: 19					
Total panel (balanced) observations: 57					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	
C	2.629440	0.502657	5.231085	0.0000	
X1	-0.293613	0.504881	-0.581550	0.5633	
X2	-1.273067	1.371357	-0.928327	0.3574	
M	-0.968861	0.275651	-3.514811	0.0009	
R-squared	0.248098	Mean dependent var		0.778323	
Adjusted R-squared	0.205537	S.D. dependent var		1.036126	
S.E. of regression	0.923526	Akaike info criterion		2.746356	
Sum squared resid	45.20372	Schwarz criterion		2.889728	
Log likelihood	-74.27115	Hannan-Quinn criter.		2.802075	
F-statistic	5.829297	Durbin-Watson stat		0.991733	
Prob(F-statistic)	0.001614				

Source: Processed from Output Eviews 12

Based on the results of the regression above, it shows that the value of prob. for the variable X1 $0.5633 > 0.05$ which means that the ESG Performance variable in this study is free from heteroscedasticity problems. While the value of prob. for the X2 variable 0.3574 and the moderation variable $0.0009 < 0.05$, which means that the profitability variable and the audit quality moderation variable were found to have heteroscedasticity problems.

Moderating Regression Analysis

Tabel 6. Uji Moderating Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.766323	1.584716	3.007682	0.0041
X1	-5.830763	2.536433	-2.298804	0.0256
X2	1.060419	2.721474	0.389649	0.6984
M	-1.800713	0.903332	-1.993413	0.0516
X1M	2.929213	1.425098	2.055446	0.0450
X2M	-0.952955	2.455868	-0.388032	0.6996
R-squared	0.117612	Mean dependent var		0.402100
Adjusted R-squared	0.031104	S.D. dependent var		0.688474
S.E. of regression	0.677682	Sum squared resid		23.42190
F-statistic	1.359546	Durbin-Watson stat		2.257983
Prob(F-statistic)	0.255056			

Source: Processed from Output Eviews 12

The resulting regression equation:

$$Y = C + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 X_1 * M + \beta_5 X_2 * M + \varepsilon$$

$$Y = 4,7663 - 5,8307X_1 + 1,0604X_2 - 1,8007M + 2,9292X_1 * M - 0,9529X_2 * M$$

ESG performance has a negative effect on Corporate Value

Based on the test results, the probability value of ESG Performance is (0.0256) and the coefficient value is -5.8307 , so H1 is accepted which means that ESG performance has a negative effect on the company's value. This shows that if the ESG score increases, then the company's value will be lower. When coupled with stakeholder theory, it emphasizes the importance of fulfilling the interests of various parties who have relationships with the company, such as shareholders, employees, customers, local communities, and others. In this context, good ESG performance should increase company value because it reflects the company's attention to the interests of stakeholders. However, if ESG performance negatively impacts a company's value, it may indicate that ESG implementation entails high costs that do not provide immediate financial benefits or may even reduce short-term profitability. For example, large investments in green technology or social initiatives can reduce a company's profits in the short term, which in turn can reduce the value of the company in the eyes of investors who are more focused on short-term profits.

Based on the theory of legitimacy of good ESG performance, it is generally expected to increase the legitimacy of the company in the eyes of the public and investors. However, if ESG performance actually has a negative impact on the company's value, this can be due to an imbalance between the company's efforts to increase social legitimacy and the expectations of the market or investors. For example, a company that spends large costs to improve ESG performance, but does not offset it with improved financial performance, may be perceived as inefficient by investors, thereby lowering the company's value. Additionally, in some cases, the market may not fully appreciate the importance of ESG initiatives, which causes ESG performance not to translate into increased company value. When associated with the theory of legitimacy, ESG performance has a negative impact on a company's value, this can indicate that managers may be engaging in practices that are more beneficial to them personally, such as directing companies to adopt ESG policies that are seen as socially good but do not result in commensurate financial gains. In this scenario, shareholders may respond negatively to ESG initiatives that are perceived as not providing direct added value, ultimately lowering the company's value.

The results of this study are in line with research conducted by (Behl et al., 2022) (Prayogo et al., 2023) (Putu & Devi, 2024) which also found that ESG Score has a negative effect on company value. The main purpose of the establishment of a company is to increase the wealth of investors so that non-financial purposes will make the company less effective. Non-financial information such as ESG is considered to meet the demands of stakeholders charged to the company, so it will cause agency conflicts. Therefore, it can be concluded that investors will respond more positively if there is information that is able to increase the value of investors' wealth and will not respond well to non-financial information such as information contained in ESG. In addition, investors have the assumption that the activities reported in ESG are expensive and detrimental to the interests of investors so investors prefer not to invest which will ultimately reduce the value of the Company (Safriani & Utomo, 2020). The results of this study indicate that ESG disclosure has not yet become a factor considered in investment decision-making by stakeholders, especially investors.

This study differs from the empirical evidence of companies listed in the ESG index in Egypt having a higher company value, where there is a positive relationship between higher company ratings in the index and company value, as measured by Tobin's q (Aboud & Diab, 2018) (Samy El-Deeb et al., 2023).

Profitability has no effect on Company Value

Based on the test results, the probability profitability value is 0.6984, so this second hypothesis is rejected, meaning that profitability has no effect on the Company's value. The results of this study are different from the results of previous research conducted by (Sawitri & Setiawan, 2019b) (A. Wijaya, 2020) and (Karlina & Mulya, 2019) which empirically prove that the higher the company's performance achieved, the company's value will also increase. Profitability as a measure of a company's performance is a company's financial ratio that shows its ability to generate profits compared to certain factors such as the number of assets, the number of sales, or the amount of capital of the company. Profitability is a key performance indicator that affects the Company's value.

The results of this study are in line with research conducted by (Savitri et al., 2021) which revealed that profitability has no effect on company value. This shows that the amount or small profit obtained by the Company does not affect the value of the company. The above financial ratios cannot be used as a complete reference in assessing the influence of financial performance on the company's value. In this study, the proxy for the profitability variable is ROA. The size of the assets used by the company to generate profits cannot affect the value of the company. When associated with agency theory, it indicates the existence of agency problems, where managers may not be acting fully in the interests of shareholders. For example, managers may focus on short-term goals or projects that increase profitability without thinking about the long-term impact on the company's value. Additionally, managers may also be more focused on increasing their own compensation or power rather than increasing the company's overall value. As a result, even if the company makes a profit, the value of the company does not increase because shareholders may doubt whether those profits will bring long-term benefits.

Audit Quality weakens the negative influence of ESG performance on Company Value

Based on the test results, the probability value of ESG performance and audit quality is 0.0450 with a coefficient value of 2.9292, this third hypothesis is accepted, meaning that audit quality weakens the negative influence of ESG performance on the Company's value. The results of this study are different from the results of previous research conducted by (Dakhli, 2022) and (Samy El-Deeb et al., 2023) which have empirically proven that audit quality moderates the influence of ESG performance on company value. Higher audit quality plays a relevant role in improving ESG performance (through limiting opportunistic behavior and reducing agency conflict issues) and corporate value, audit quality is expected to moderate the ESG-Company value relationship (Dakhli, 2022).

Poor or under-recognized ESG performance often causes concern among stakeholders, which in turn can lower the value of the company. However, high audit quality can play an important role in reducing such negative influences. Quality audits ensure that ESG

performance reports reflect true and valid conditions, which can increase stakeholder confidence in the company's commitment to its social and environmental responsibilities. When stakeholders see that ESG performance reports have been properly audited, they are more likely to believe that the company is serious in its efforts to strike a balance between social, environmental, and economic interests, which can ultimately reinforce the company's value.

High audit quality can strengthen a company's legitimacy in the eyes of the public and investors, especially in the context of ESG reporting. If audit quality ensures that the ESG information reported is accurate and reliable, it can help reduce market skepticism regarding the negative impact of ESG performance on a company's value. Thus, despite the significant costs and efforts involved in ESG implementation, high audit quality can reassure investors and the public that the company operates within a framework of recognized values and norms, so that the negative impact of ESG performance on the company's value can be minimized or even eliminated.

High audit quality serves as a control mechanism that can reduce information asymmetry between managers and shareholders. Poor ESG performance can be associated with managerial decisions that are not in line with the interests of shareholders, which can lead to a decline in the value of the company. However, high-quality audits can provide assurance that ESG reporting is done transparently and in accordance with reality. Thus, a strong audit can mitigate the negative impact of poor ESG performance, as shareholders gain assurance that management is not misrepresenting or covering up important information related to the company's ESG performance. This helps maintain or even increase investor confidence, which can ultimately maintain or increase the value of the company.

Audit quality cannot moderate the influence of profitability on the Company's value

Based on the test results, the probability value of profitability and audit quality is 0.6996, this fourth hypothesis is rejected, meaning that the audit quality cannot moderate the influence of profitability on the Company's value. The results of this study are different from the results of research that has been conducted previously by (A. Wijaya, 2020) which explains that empirically audit quality is able to moderate the influence of the Company's performance. High audit quality can contribute to a company's better financial performance, as large-scale audit firms are always considered to have higher audit quality so that it can increase investor confidence.

Profitability is usually considered one of the main indicators of a company's success in meeting the interests of stakeholders, especially shareholders. However, if audit quality is not able to moderate the influence of profitability on the company's value, this can indicate that stakeholders, especially investors, are more focused on tangible financial results than on the quality of the financial information provided. In this scenario, although high-quality audits guarantee the reliability of financial statements, investors may be more interested in profitability results themselves, meaning that audit quality does not add more value to their perception of the company.

The high quality of audits should enhance the legitimacy of the company by ensuring that the financial statements reflect the actual conditions. However, if the quality of the audit

cannot moderate the influence of profitability on the value of the company, this may indicate that the legitimacy of the company in the eyes of investors and the public depends more on tangible financial results than on the accuracy or transparency of the information provided by the audit. In other words, investors may assume that high profitability is enough to assess a company's success, regardless of the quality of the audit performed.

High audit quality ideally serves as a control mechanism that ensures that financial statements reflect the company's true performance, thus assisting shareholders in making better decisions. However, if the quality of the audit does not moderate the effect of profitability on the company's value, this could indicate that shareholders are prioritizing immediately visible profitability results rather than paying attention to the quality of the information provided by the audit. In this case, although high-quality audits are capable of reducing information asymmetry, shareholders may focus more on how much profit the company makes, which they consider to be a direct indicator of the company's value. As a result, audits do not have a significant role in influencing the relationship between profitability and company value.

CONCLUSION

The results show that ESG performance has a negative impact on company value, while profitability has no significant effect. Audit quality serves to weaken the negative influence of ESG performance on company value, but it cannot moderate the influence of profitability on company value. The implications of the results of this study suggest that company management needs to be aware of the negative impact of ESG performance, although it is important for long-term sustainability. Companies need to be careful in allocating resources to ESG activities and ensure those investments provide balanced benefits. Additionally, improving audit quality can be an effective mitigation strategy. For investors, this study emphasizes the importance of an in-depth analysis of ESG impacts before making investment decisions, as well as considering audit quality as a risk assessment factor. This research also opens up opportunities for future research to explore the influence of ESG performance, profitability, and audit quality more comprehensively. However, the study has limitations in terms of variable data and measurement, as well as the breadth of the population and sample that only covers the energy sector. Therefore, it is recommended for subsequent research to use additional proxies in ESG performance measurement and audit quality, as well as to expand the scope of the sector and research period for more in-depth analysis.

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