

## **ABSTRACT**

*This study examines the effect of Environmental Disclosure (ED) in the Sustainability Report on the Cost of Capital (CoC) and the moderating role of profitability in this relationship. ED is hypothesized to reduce CoC by enhancing transparency and reducing information asymmetry, while profitability is expected to strengthen this relationship, as highly profitable firms have more resources to support sustainability practices.*

*This study employs a sample of companies listed on the Indonesia Stock Exchange (BEI) from 2020 to 2023. The sample is selected using the purposive sampling method, resulting in 300 observations analyzed using multiple linear regression.*

*The results indicate that ED has a significant negative effect on CoC, supporting signaling theory, which suggests that strong sustainability disclosures send positive signals to investors and creditors, thereby reducing CoC. Furthermore, the moderation analysis reveals that profitability strengthens the negative effect of ED on CoC, aligning with Slack Resource Theory, which states that highly profitable firms are better positioned to invest in sustainability, thereby amplifying ED's impact on lowering the cost of capital.*

*Keywords: Environmental Disclosure, Cost of Capital, Profitability, Signaling Theory, Slack Resource Theory.*