

**THE MODERATING ROLE OF AUDIT QUALITY IN THE
RELATIONSHIP BETWEEN ESG PERFORMANCE AND THE COST OF
CAPITAL: EVIDENCE FROM INDONESIA
THESIS**

Presented as Partial Fulfilment of the Requirements of the Degree of Sarjana
Akuntansi (S1) In International Undergraduate Program Bachelor of Accounting
Faculty of Business and Economics Universitas Atma Jaya Yogyakarta



Arranged by:

Regina Madelyn Tresnohadi

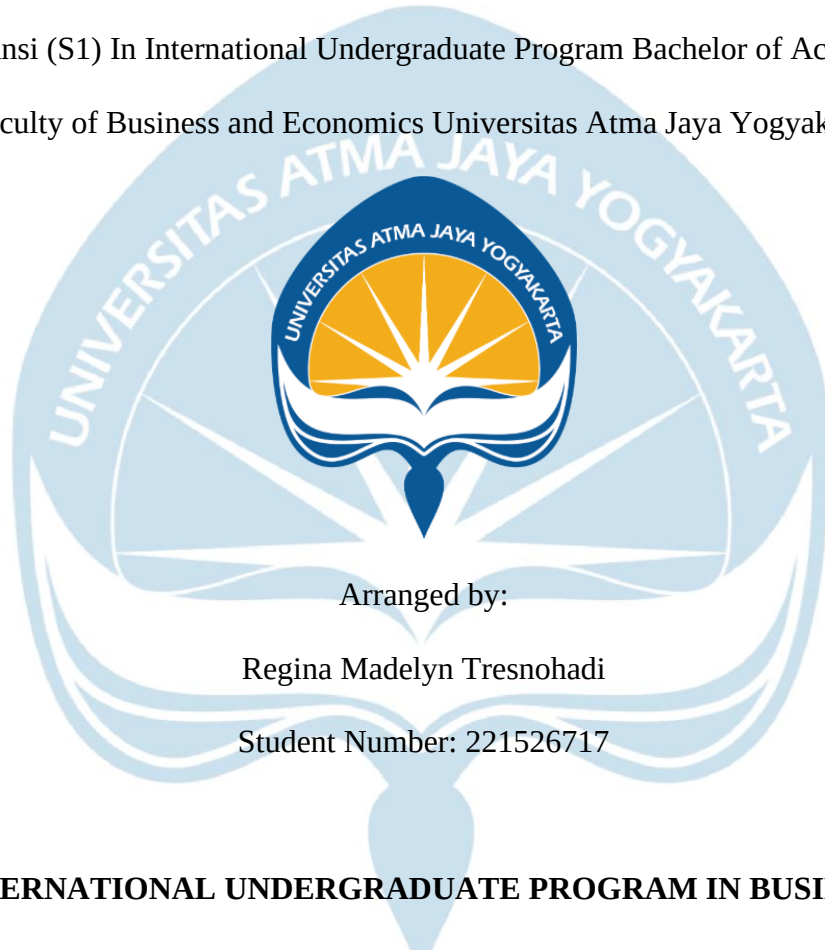
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**INTERNATIONAL UNDERGRADUATE PROGRAM IN BUSINESS
ACCOUNTING
FACULTY OF BUSINESS AND ECONOMICS
UNIVERSITY OF ATMA JAYA YOGYAKARTA**

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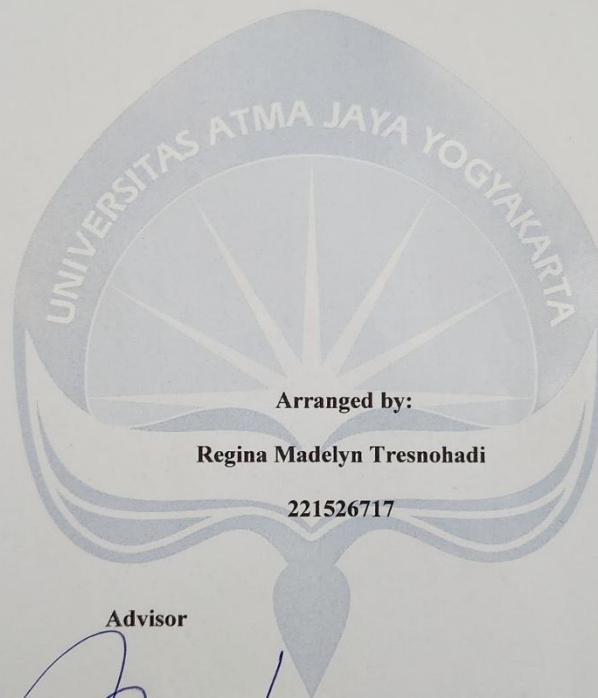
**INTERNATIONAL UNDERGRADUATE PROGRAM IN BUSINESS
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2026

STATEMENT OF APPROVAL

THE MODERATING ROLE OF AUDIT QUALITY IN THE
RELATIONSHIP BETWEEN ESG PERFORMANCE AND THE COST OF
CAPITAL: EVIDENCE FROM INDONESIA



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Advisor

A handwritten signature in blue ink, likely belonging to Dr. Nuritomo, SE., M.Acc., BKP., is positioned below the 'Advisor' label.

Dr. Nuritomo, SE., M.Acc., BKP.

12nd May 2026

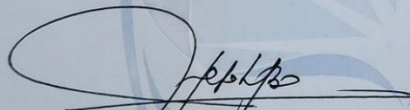
LETTER OF STATEMENT
THESIS
THE MODERATING ROLE OF AUDIT QUALITY IN THE
RELATIONSHIP BETWEEN ESG PERFORMANCE AND COST OF
CAPITAL: EVIDENCE FROM INDONESIA

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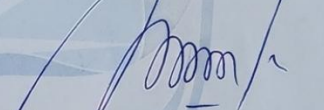
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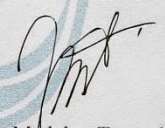
AUTHENTICITY ACKNOWLEDGEMENT

I hereby declare that the thesis with the title:

**THE MODERATING ROLE OF AUDIT QUALITY IN THE RELATIONSHIP
BETWEEN ESG PERFORMANCE AND THE COST OF CAPITAL:
EVIDENCE FROM INDONESIA**

Is entirely the result of my own thoughts and writing. I fully acknowledge that this thesis does not include the work of others, except for those that have been properly cited and listed in the references.

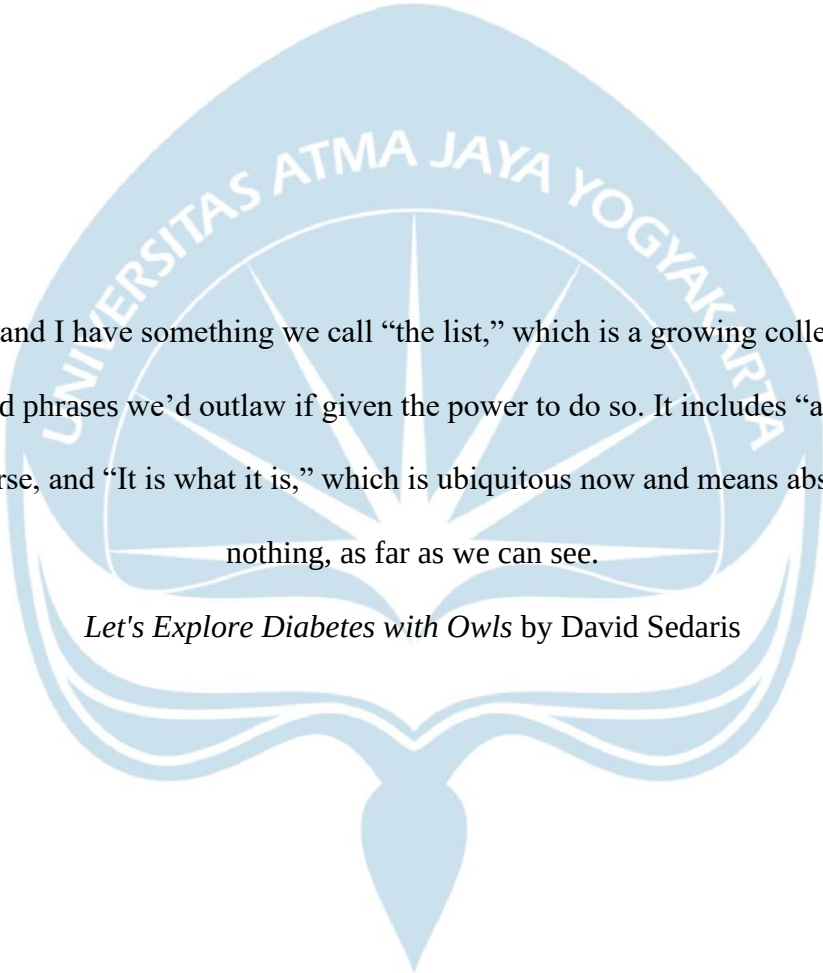
Yogyakarta, 5th June 2026


Regina Madelyn Tresnohadi

MOTTO

The future is not ours to see.

Que será, será,



"Hugh and I have something we call “the list,” which is a growing collection of words and phrases we’d outlaw if given the power to do so. It includes “awesome,” of course, and “It is what it is,” which is ubiquitous now and means absolutely nothing, as far as we can see.

Let's Explore Diabetes with Owls by David Sedaris

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All praise and glory to God for His blessing and guidance, for which I would not finish and complete this partial fulfillment for the Degree of Sarjana Akuntansi (S1) Thesis titled “The Moderating Role of Audit Quality in the Relationship Between ESG Performance and Cost of Capital: Evidence in Indonesia”. Throughout this journey, I received encouragement, guidance, and advice from many parties, and I am deeply grateful to all of them.

1. First and foremost, I thank Jesus Christ for His continuous blessings, guidance, and mercy, which have enabled me to complete this thesis.
2. I am grateful and thankful to my family, mom and father and also my big brother for their unwavering and continuous support in the form of prayers, moral encouragement, and material assistance which have helped me throughout my studies.
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6. Laboratory Assistant FBE UAJY batch 21, 22, 23 and Mas Nathan also Sir Rio. Thank you for keeping me company during the final stretch of college and completely saving me from boredom. From surviving the long hours to endless laughs, thanks for making sure my last days on campus were anything but boring.

I realize that this thesis has its limitations and may contain errors or gaps. I welcome any constructive criticism and suggestions that could improve the quality of my work. Finally, I hope this thesis proves to be useful and valuable to its readers.

ABSTRACT

This study investigates whether audit quality moderates the relationship between environmental, social, and governance (ESG) performance and a firm's weighted average cost of capital (WACC). Using a quantitative panel research design with the method of Pooled Ordinary Least Square (POLS) regression on 77 nonfinancial listed firms that disclose ESG information on the Indonesia Stock Exchange (IDX) during 2023-2024. We test whether higher ESG scores reduce WACC and whether this negative ESG-WACC association is stronger for firms audited by high-quality auditors from the big four (PWC, Deloitte, KPMG, and EY).

The results indicate that ESG performance significantly reduces the cost of capital, aligning with signaling and agency theories by demonstrating that sustainability initiatives serve as a risk reduction mechanism. However, audit quality proxied by big four audit companies does not statistically moderate the ESG-WACC relationship. These findings suggest that while Indonesian investors reward ESG transparency with lower financing costs, the external auditor's reputation does not yet provide an additional significant signal in this context.

Keywords: Environmental, Social and Governance (ESG), Audit Quality, Cost of Capital, WACC, Indonesia Stock Exchange

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