

ABSTRACT

The increasing attention of investors toward Environmental, Social, and Governance (ESG) aspects has encouraged companies to enhance the transparency of sustainability-related disclosures. In Indonesia, ESG Disclosure practices continue to develop alongside the strengthening of sustainable finance regulations. However, previous studies examining the relationship between ESG Disclosure and firm value have produced inconsistent findings. Therefore, this study aims to examine the effect of ESG Disclosure on firm value, the effect of ESG Disclosure on financial performance, the effect of financial performance on firm value, and the mediating role of financial performance in the relationship between ESG Disclosure and firm value.

This study employs a quantitative approach using secondary data obtained from Bloomberg Terminal, annual reports, and financial statements of non-financial companies listed on the Indonesia Stock Exchange during the 2021-2024 period using a time-lag scheme. The sample consists of 148 companies with a total of 436 observations over three years of observation selected using purposive sampling. Hypothesis testing was conducted using multiple linear regression analysis and PROCESS Macro Model 4 with a 5,000-bootstrap sampling technique through SPSS 27 software.

The results indicate that ESG Disclosure has no significant effect on firm value. In contrast, ESG Disclosure has a positive and significant effect on financial performance, while financial performance has a positive and significant effect on firm value. Furthermore, financial performance fully mediates the relationship between ESG Disclosure and firm value. These findings suggest that the benefits of ESG Disclosure are not directly appreciated by the market but are first reflected in improved financial performance, which subsequently contributes to higher firm value.

Keywords: ESG Disclosure, Firm Value, Financial Performance, Return on Assets, Tobin's Q.