

ABSTRACT

Environmental, Social, and Governance (ESG) performance has become an increasingly important consideration for investors and other stakeholders in evaluating a company's sustainability and long-term prospects. The implementation of ESG practices is not only intended to fulfill corporate responsibilities toward environmental, social, and governance issues, but also serves as a strategic instrument to enhance corporate reputation, reduce business risks, improve operational efficiency, and create sustainable value. This issue is particularly relevant in the energy sector, which faces significant challenges related to environmental impacts, energy transition, and increasing stakeholder demands for sustainability. This study aims to examine the effect of Environmental, Social, and Governance (ESG) performance on firm value and profitability, with firm size and leverage employed as control variables, in energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period.

The population of this study consists of energy sector companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The sample was selected using a purposive sampling method based on predetermined criteria. The study utilizes secondary data obtained from annual reports, sustainability reports, and financial statements published by the companies. Data analysis was conducted using multiple linear regression to investigate the relationship between ESG performance, firm value, and profitability while controlling for the effects of firm size and leverage.

The findings of this study indicate that ESG performance plays a role in influencing firm value and profitability in energy sector companies. Furthermore, firm size and leverage contribute to explaining variations in firm value and profitability. These findings suggest that ESG performance has become an important consideration for investors in assessing corporate sustainability and future business prospects. Therefore, ESG should not merely be viewed as a regulatory compliance mechanism, but also as a strategic approach to enhancing corporate value and supporting long-term financial performance.

Keywords: *Environmental, Social, and Governance (ESG), Firm Value, Profitability, Firm Size, Leverage, Energy Sector.*