

ABSTRACT

This study aims to investigate the effect of ESG disclosure practice on firm performance and to discover the role of green innovation in mediating the relationship between ESG disclosure practice and firm performance. The dependent variable of this research is firm performance measured by Tobin's Q. The independent variable of this research is ESG disclosure practice using ESG Disclosure Score from the Bloomberg Database. Lastly, the mediating variable is green innovation as measured by rating of Public Disclosure Program for Environmental Compliance (PROPER).

This empirical study uses secondary data obtained from PROPER assessment results report, annual reports, and financial statements of companies listed on the Indonesia Stock Exchange, Bloomberg database, and website named proper.menlhk.go.id. This research uses a purposive sampling method to determine the sample. Through this method, 104 non-financial companies listed on the Indonesia Stock Exchange in 2018-2022 were obtained as the final sample in this research. Furthermore, this research also uses multiple linear regression analysis methods.

Empirical findings in this research reveal that ESG disclosure practice has no significant effect on firm performance as measured by Tobin's Q. Meanwhile, other findings reveal ESG disclosure practice has a positive and significant effect on level of green innovation as measured using the PROPER rating. Through this empirical study, it was provided evidence that green innovation has a mediating role in the relationship between ESG disclosure practice and firm performance.

Keyword: ESG Disclosure Practice, Green Innovation, and Firm Performance

FEB UNDIP