

## **ABSTRACT**

*This study aims to analyze the effect of Environmental, Social, and Governance (ESG) performance on financial risk disclosure in financial companies listed on the Indonesia Stock Exchange (IDX). ESG has become a key indicator in evaluating corporate sustainability and transparency, particularly in enhancing the quality of risk information disclosed to stakeholders. However, the relevance of ESG in the context of financial risk disclosure remains debatable, especially in Indonesia's financial sector.*

*This research adopts a quantitative method with a multiple linear regression approach to examine the relationship between the independent variables—Environmental Performance, Social Performance, and Governance Performance—and the dependent variable, financial risk disclosure. The data were obtained from company annual reports and the Bloomberg database covering the period 2020–2023, comprising 72 observations from 18 financial companies that met the sample criteria.*

*The results show that ESG performance, when tested simultaneously, does not have a significant effect on financial risk disclosure. However, partially, social and governance performance have a positive and significant effect, while environmental performance shows a negative but insignificant relationship. These findings indicate that companies are more likely to disclose financial risks in relation to social and governance concerns, but environmental aspects are not yet fully utilized as a strategic tool in risk transparency. Additionally, control variables such as leverage and profitability have a significant influence, whereas firm size does not show a significant effect.*

*The implications of this study suggest that ESG integration needs to be more substantial within financial risk management systems. Regulators, investors, and other stakeholders are encouraged to strengthen sustainability commitments so that ESG becomes not merely a formality, but a meaningful contributor to building a transparent, accountable, and sustainable business ecosystem in Indonesia.*

*Keywords: Environmental, Social, Governance (ESG), Financial Risk Disclosure, Transparency, Financial Companies, Indonesia Stock Exchange (IDX)*