

ABSTRACT

The purpose of this study is to examine how Environmental, Social, and Governance Disclosure affects business profitability. Three factors, including the environmental (ENVDiscI), social (SOCDiscI), and corporate governance (GOVDiscI) Disclosures components, are used to assess ESG disclosure. Meanwhile, Return on Assets serves as a proxy for the company's financial performance (ROA). Financial Leverage (FL) and Asset Turnover (AT) are two additional control variables used in this study.

A total of 140 companies consist of energy sector enterprises in Indonesia, Germany, Finland, the United States, Brazil, India, and South Africa made up the sample for this study, which employed purposive sampling and secondary data from Bloomberg Database. Multiple linear regression analysis is used in this study's analysis, and IBM SPSS Statistics 25 is used to handle the data.

The study's findings suggest that there is a significant relationship between a company's disclosure practices and its Return on Assets (ROA). The results show that Environmental Disclosure (ENVDiscI) and Social Disclosure (SOCDiscI) have a positive and significant impact on ROA. In contrast, Governance Disclosure (GOVDiscI) has a negative impact on ROA. Therefore, companies that prioritize their environmental and social disclosures are likely to have better Return on Assets, while excessive focus on governance disclosures may not be as beneficial. Overall, the study underscores the importance of companies being transparent about their environmental and social practices as it can positively impact their Return on Assets.

Keywords: ESG Disclosure, Environmental Disclosure, Social Disclosure, Governance Disclosure, and Return on Assets