ABSTRACT

This study was conducted to examine the impact of Environmental, Social, and Governance (ESG) disclosure on corporate financial performance with audit quality as a moderating variable. Stakeholder theory highlights the necessity for companies to establish good relationships with all parties that have an interest in and are related to the company's business. ESG disclosure becomes a responsibility undertaken by companies to gain trust from stakeholders and recognition from their social environment.

This study employs a documentation method utilizing annual reports and sustainability reports from manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2018-2022. Based on purposive sampling, a sample of 225 companies was obtained. The variables of ESG disclosure, financial performance, and audit quality were analyzed using Partial Least Squares-Structural Equation Modelling (PLS-SEM). The model in this study is a second-order construct and thus was analyzed using Second Order Confirmatory Factor Analysis (CFA).

The results of the study indicate that ESG disclosure has a positive effect on corporate financial performance. Additionally, audit quality empirically does not strengthen the positive effect of ESG disclosure on corporate financial performance.

Keywords: *ESG Disclosure, Firm Financial Performance, Audit Quality*