ABSTRACT

Global climate change has raised awareness of the importance of sustainable development, driving companies to adapt by using sustainability tools. The role of these tools is crucial in maintaining corporate existence through societal legitimacy.

This study aims to analyze the impact of 2 *sustainability tools—ESG disclosure, measured using the ESG disclosure score from Bloomberg Terminal, and green innovation, assessed through the PROPER rating—on firm financial performance as a reflection of corporate legitimacy strength.*

The study utilizes secondary data of non-financial companies listed on the Indonesia Stock Exchange (IDX) *for the period* 2018-2022 *that was obtained from annual reports and the Bloomberg database of financial data. A total of* 155 *samples were selected using the purposive sampling method and analyzed using multiple linear regression.*

The empirical findings show that ESG disclosure strengthens corporate legitimacy, resulting in a significant positive impact on firm financial performance. In contrast, green innovation practices do not show a significant legitimacy impact on financial performance and even tend to negatively impact it due to a lack of communication regarding their implementation in Indonesia.

Keywords: *Sustainable Development Goals* (SDGs), *Sustainability Tools*, *ESG Disclosure*, *Green Innovation*, *Firm Financial Performance*, *Legitimacy Theory*