

ABSTRACT

This study examines how Environmental, Social, and Governance (ESG) disclosure influences firm value and profitability with capital structure as a mediating variable. Despite growing stakeholder interest in ESG practices, research findings remain inconsistent, particularly in emerging markets. Using quantitative methods and PLS-SEM analysis, we investigated 42 companies listed on the Indonesia Stock Exchange from 2017-2023.

Results reveal that environmental disclosure positively affects profitability but shows non-significant impact on firm value, while social disclosure significantly enhances firm value but not profitability. Surprisingly, governance disclosure demonstrates negative effects on profitability. Capital structure plays a significant mediating role, with environmental disclosure showing positive indirect effects on both performance metrics, while social disclosure exhibits negative indirect effects. These findings contribute to understanding ESG implementation dynamics in emerging markets, highlighting how each ESG component influences corporate performance through distinct pathways.

The study offers practical insights for companies integrating sustainability practices, suggesting that strategic alignment between ESG initiatives and financial management is crucial for optimizing performance outcomes in Indonesia's evolving business landscape.

Keywords: *ESG Disclosure , Firm Value, Profitability, Capital Structure, Indonesia Stock Exchange*