

## **ABSTRACT**

*This study aims to analyze the influence of Environmental, Social, and Governance (ESG) pillars on the credit rating of companies listed in PT Pemeringkat Efek Indonesia (PEFINDO) during the period 2021-2023. Credit rating serves as a crucial indicator for assessing a company's creditworthiness and is a primary reference for investors and financial institutions in making investment and lending decisions. Along with the growing attention to sustainability issues, ESG implementation has become an increasingly important non-financial factor in risk assessment.*

*This research utilizes secondary data from 85 company observations with ESG scores from Refinitiv and credit ratings from PEFINDO. Multiple linear regression analysis is employed to examine the effect of each ESG pillar on credit rating. The results show that the Social and Governance pillars have a positive and significant effect on credit rating, while the Environmental pillar does not have a significant effect. Simultaneously, the three ESG pillars contribute 32.6% to the variation in corporate credit ratings.*

*These findings underscore the importance of social and governance aspects in enhancing credit risk perception in Indonesia, as well as the need to further integrate environmental aspects into the credit assessment process. This research is expected to provide empirical contributions for companies, investors, and rating agencies in optimizing ESG practices to support sustainable financial development.*

*Keywords: ESG, Environmental, Social, Governance, Credit Rating*