

ABSTRACT

This study aims to investigate the relationship between Environmental, Social, and Governance (ESG) disclosure and firm value, with Return on Assets (ROA) and Return on Equity (ROE) serving as mediating variables. The sample consists of 41 companies operating in the manufacturing, healthcare, energy, and infrastructure sectors in Indonesia, observed over the financial years 2020 to 2023. ESG is measured using ESG scores obtained from the Bloomberg database, while firm value is represented by Tobin's Q.

The methodology employed in this research includes descriptive analysis, Pearson correlation, classical assumption tests, linear regression analysis, and the Sobel test to examine mediation effects. The results show that ESG disclosure does not have a significant direct effect on firm value. However, ESG significantly improves both ROA and ROE. Furthermore, ROE has a strong and significant impact on firm value, suggesting that ESG influences firm value indirectly through financial performance.

These findings provide support for stakeholder theory and legitimacy theory, reinforcing the notion that ESG plays a crucial role in enhancing internal financial efficiency and long-term firm value. This study contributes to the literature by offering empirical evidence from emerging markets, particularly in the post-pandemic period.

Keywords: Environmental Social and Governance, ESG, Firm Value, ROA, ROE, Tobin's Q, Indonesia

