

ABSTRACT

This study aims to examine the effect of Environmental, Social, and Governance (ESG) disclosure and Good Corporate Governance (GCG) mechanisms, proxied by board of commissioners' independence, audit committee size, and board of directors' size, on the financial performance of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Financial performance is measured using Return on Assets (ROA) as an indicator of the company's effectiveness in managing its assets to generate profits.

This research employs a quantitative approach using secondary data obtained from corporate financial statements and sustainability reports. The sample was selected using a purposive sampling technique, resulting in 38 manufacturing companies with a total of 152 observations. Data analysis was conducted using panel data regression with the Fixed Effect Model (FEM), complemented by use of robust standard errors to mitigate potential violations of classical regression assumptions.

The results indicate that Environmental Disclosure and Social Disclosure have a negative and significant effect on corporate financial performance, suggesting that the costs associated with the implementation and disclosure of environmental and social aspects have not yet generated optimal short-term financial benefits. In contrast, Governance Disclosure, board of commissioners' independence, and audit committee size have a positive and significant effect on financial performance, while board of directors' size shows a negative and significant effect. These findings emphasize the importance of effective corporate governance practices in enhancing the financial performance of manufacturing companies.

Keywords: Environmental, Social, and Governance (ESG) disclosure, Good Corporate Governance (GCG), Return on Assets, Manufacturing Companies.

