

ABSTRACT

This study aims to analyze the effect of Environmental, Social, and Governance (ESG) disclosures on financial performance, as proxied by Return on Assets (ROA), with audit quality as a moderating variable, among companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. This study is grounded in legitimacy theory and agency theory, which suggest that ESG disclosure can enhance corporate legitimacy, reduce information asymmetry, and boost investor confidence, while audit quality plays a role in strengthening the credibility of corporate information. The independent variable in this study is ESG disclosure, while the dependent variable is financial performance, proxied by ROA. The moderating variable used is audit quality, measured based on the reputation of the Big Four Public Accounting Firms (PAFs), and firm size is used as a control variable.

This study employs a quantitative approach using secondary data obtained from annual reports and the Bloomberg Terminal. The sample consists of 23 companies with a total of 92 observations selected using purposive sampling. Data analysis was conducted using panel data regression and Moderated Regression Analysis (MRA).

The results indicate that ESG disclosure has a significant positive effect on corporate financial performance. Partially, the Environmental and social components have a significant positive effect, while the governance component does not have a significant effect. Furthermore, audit quality was found to amplify the effect of ESG disclosure on corporate financial performance.

Keywords: *Environmental, Social, and Governance (ESG) Disclosure, Financial Performance, Audit Quality, Return on Assets (ROA).*