ABSTRACT

This study aims to empirically examine the effect of ESG Disclosure Score on the financial performance and financial risk of non-financial companies in environmentally sensitive industries listed on the Indonesia Stock Exchange (IDX) for the period 2021–2024. Financial performance is proxied by Return on Asset (ROA), Return on Equity (ROE), and Tobin's Q, while financial risk is proxied by the Standard Deviation of ROA (STDROA).

This study employs secondary data obtained from the Bloomberg terminal using a purposive sampling method, resulting in 269 observations. Panel data regression analysis was conducted using the Random Effect Model (REM) for the ROA and ROE models, and the Fixed Effect Model (FEM) for the Tobin's Q and STDROA models, estimated through the Estimated Generalized Least Squares (EGLS) method.

The findings indicate that ESG Disclosure Score has a significant negative effect on both ROA and ROE, suggesting that ESG implementation imposes additional cost burdens on companies in the short term. In contrast, ESG Disclosure Score has a significant positive effect on Tobin's Q, reflecting market appreciation for corporate sustainability commitments. Furthermore, ESG Disclosure Score has a significant negative effect on STDROA, indicating that ESG practices contribute to stabilizing profitability volatility and mitigating financial risk. These findings suggest that the benefits of ESG are predominantly long-term and market-oriented, carrying important strategic implications for management, investors, and regulators.

Keywords: *ESG Disclosure Score, ROA, ROE, Tobin's Q, STDROA, Environmentally Sensitive Industries, Indonesia Stock Exchange.*