ABSTRACT

This study aims to examine the effect of sustainability committee on ESG performance, with financial performance as a mediating variable, in manufacturing companies listed on the Indonesia Stock Exchange. This study refers to stakeholder theory. The population used in this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. Purposive sampling was used in selecting the research sample, resulting in 186 firm-year observations. Sustainability committee is measured using a dummy variable, ESG performance is proxied by the Bloomberg ESG Score, and financial performance is proxied by Return on Assets (ROA). Data are analyzed using panel data regression with the Random Effect Model and cluster robust standard errors, while the mediation effect is tested using the Sobel Test through STATA 19. The analysis results show that sustainability committee has a positive and significant effect on ESG performance, and financial performance also has a positive and significant effect on ESG performance. Additionally, it was found that sustainability committee has a significant negative effect on financial performance. Meanwhile, the Sobel test results indicate that financial performance significantly mediates the relationship between sustainability committee and ESG performance at the 10% significance level (Sobel z = 2.003, p = 0.045), suggesting a partial mediation effect. These findings indicate that sustainability committee strengthens ESG performance both directly and indirectly through financial performance, even though its direct effect on financial performance itself is negative.

Keywords: *sustainability committee, financial performance, ESG performance, stakeholder theory*