ABSTRACT

Environmental, Social, and Governance (ESG) disclosure is increasingly considered by investors in assessing a company's sustainability prospects and long-term risk. However, prior empirical findings on the relationship between ESG disclosure and firm value remain inconsistent, indicating that other mechanisms may influence this relationship, one of which is profitability. This study aims to examine the effect of ESG disclosure on firm value, both directly and indirectly through profitability as a mediating variable, in non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period.

This study uses secondary data obtained from the Bloomberg Terminal. The population consists of all non-financial companies listed on the IDX during 2022–2024, with the sample selected through purposive sampling based on the availability of ESG disclosure scores and complete financial data, resulting in 120 companies with 360 firm-year observations. ESG disclosure is measured using the Bloomberg ESG disclosure score, profitability is measured using Return on Assets (ROA), and firm value is measured using Tobin's Q. Data were analyzed using panel data regression with EViews 14, including descriptive statistics, panel model selection, classical assumption tests, hypothesis testing, and mediation testing.

The results how that ESG disclosure has no significant effect on firm value but has a significant negative effect on profitability. Profitability also has no significant effect on firm value and does not mediate the relationship between ESG disclosure and firm value. These findings indicate that ESG disclosure has not yet become a primary consideration for investors in valuing non-financial companies in Indonesia, while greater ESG disclosure in the short term tends to exert pressure on firms' financial performance.

Keywords: ESG disclosure, firm value, profitability, Tobin's Q, Return on Assets