ABSTRACT

Indonesia possesses unique economic and regulatory characteristics, including a high dependency on resource-based sectors, a developing awareness of Environmental, Social, and Governance (ESG) issues, and sustainability reporting regulations that are relatively new and still adapting to global standards. These conditions present both challenges and opportunities for companies in managing environmental impacts, particularly climate change, while building legitimacy through transparent disclosure.

This study aims to examine the effect of Climate Change Disclosure (CCD) on the financial performance of non-financial companies listed on the Indonesia Stock Exchange during the 2022–2023 period. CCD is measured using content analysis based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which includes four pillars: governance, strategy, risk management, and metrics and targets. Financial performance is proxied by Return on Assets (ROA) and Return on Sales (ROS), with firm size as a control variable.

A quantitative approach is employed using panel data regression analysis. The sample consists of non-financial companies that disclose climate-related information in their sustainability or annual reports. Data is processed using Eviews 12 to identify the relationship between the level of CCD and profitability indicators.

The results indicate that CCD does not have a significant effect on ROA but has a negative effect on ROS. These findings suggest that climate disclosure has yet to enhance short-term profitability, particularly in the context of Indonesia's early-stage adoption of sustainability reporting. Nevertheless, CCD holds strategic value in fostering corporate legitimacy and stakeholder trust.

This research contributes to the development of sustainability reporting literature in Indonesia and offers practical implications for companies in designing more responsive climate disclosure strategies. Recommendations include regulatory harmonization, improved reporting capacity, and stronger incentives for companies committed to climate transparency.

Keywords: climate change disclosure; financial performance; return on assets, return on sales; TCFD recommendations