

ABSTRACT

Idiosyncratic risk is a specific risk which only occurs in certain companies. Idiosyncratic risk in a company is influenced by several factors, such as carbon performance and Environmental, Social, and Governance (ESG) disclosure. The enhancement of idiosyncratic risk is likely to be a major problem for companies, especially risks that related to environmental sustainability.

The aim of this research is to determine the effects of carbon performance and ESG disclosure on idiosyncratic risk moderated by the speed of adjustment. Companies in coal production sub-industries listed on the Indonesia Stock Exchange (IDX) for the period 2021-2023 are the objects of this research. Total population of this research amounted to 26 companies.

Purposive sampling is utilized as a sampling method technique. This research belongs to quantitative research with multiple linear regression and moderating variable. The data are taken from annual report, financial statements, sustainability reports of the coal production companies listed in IDX, investing.com, and Katadata Corporate Sustainability Index.

The results show the negatif effects between carbon performance and idiosyncratic risk. Another independent variable, ESG disclosure, also has a negatif effects on idiosyncratic risk. In addition, the negatif direction between these variables indicates company with higher score on carbon performance and ESG disclosure, have a lower idiosyncratic risk. Carbon performance and ESG disclosure simultaneously affect idiosyncratic risk. Moderation of speed of adjustment cannot strengthen the relationship between carbon performance and idiosyncratic risk. Meanwhile, there is a positive effect that indicates the moderation of speed of adjustment strengthens the relationship between ESG disclosure and idiosyncratic risk.

There are limitations in this study which make the author suggest future research should examine idiosyncratic risk again. Thus, sustainability topic is still a concern, making research on sustainability field applicable to do. Furthermore, it is hoped that this research can bring impacts, not only for coal production sub-industry companies and investors, but also for scientific advancement and technological development.

Keywords : *Idiosyncratic Risk, Carbon Performance, ESG disclosure, speed of adjustment*