# THE ROLE OF FINANCIAL PERFORMANCE AS A MEDIATING VARIABLE IN THE EFFECT OF ENVIRONMENTAL DISCLOSURE ON STOCK PERFORMANCE IN MINING AND ENERGY SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2021 – 2024 Period

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*ABSTRACT*

*This study aims to analyze the effect of environmental disclosure on financial performance and stock performance, as well as to examine the role of financial performance as a mediating variable in the relationship between environmental disclosure and stock performance in mining and energy sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021–2024 period. The study uses secondary data from annual reports, financial statements, and sustainability reports of 29 sample companies selected through purposive sampling, yielding 116 total observations. Environmental disclosure is measured using the Environmental Disclosure Index (EDI) based on 34 indicators from GRI 4 Environmental Category, financial performance is proxied by Return on Assets (ROA), and stock performance is measured using annual stock return. The analysis employs simple linear regression and mediation testing using the Baron & Kenny method through SPSS 26. The results show that: (1) environmental disclosure has a significant effect on financial performance, with R = 0.192, R² = 0.037 (3.7%), and sig. = 0.067; (2) financial performance has no significant effect on stock performance, with a regression coefficient of 0.722 and sig. = 0.239; (3) environmental disclosure has no significant effect on stock performance, with a regression coefficient of −0.292 and sig. = 0.346; and (4) financial performance is unable to mediate the effect of environmental disclosure on stock performance, as all mediation paths are statistically insignificant. These findings indicate that the Indonesian capital market has not yet optimally responded to environmental information in investment valuation for the mining and energy sectors, which may be attributed to the low level of investor ESG literacy, the dominance of external factors such as commodity price volatility and government policy, and the varying quality of environmental disclosures.*

*Keywords: Financial Performance, Environmental Disclosure, Stock Performance, Mining and Energy Sector, Indonesia Stock Exchange*

**ABSTRAK**

Penelitian ini bertujuan untuk menganalisis pengaruh pengungkapan lingkungan terhadap kinerja keuangan dan kinerja saham, serta untuk menguji peran kinerja keuangan sebagai variabel mediasi dalam hubungan antara pengungkapan lingkungan dan kinerja saham pada perusahaan sektor pertambangan dan energi yang terdaftar di Bursa Efek Indonesia (IDX) untuk periode 2021–2024.

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Penelitian ini menggunakan data sekunder dari laporan tahunan, laporan keuangan, dan laporan keberlanjutan dari 29 perusahaan sampel yang dipilih melalui purposive sampling, menghasilkan total 116 observasi. Pengungkapan lingkungan diukur menggunakan Indeks Pengungkapan Lingkungan (EDI) berdasarkan 34 indikator dari Kategori Lingkungan GRI 4, kinerja keuangan diproksikan oleh Return on Assets (ROA), dan kinerja saham diukur menggunakan return saham tahunan. Analisis menggunakan regresi linier sederhana dan pengujian mediasi menggunakan metode Baron & Kenny melalui SPSS 26. Hasil penelitian menunjukkan bahwa: (1) pengungkapan lingkungan memiliki pengaruh signifikan terhadap kinerja keuangan, dengan R = 0,192, R² = 0,037 (3,7%), dan sig. = 0,067; (2) kinerja keuangan tidak memiliki pengaruh signifikan terhadap kinerja saham, dengan koefisien regresi 0,722 dan sig. = 0,239; (3) pengungkapan lingkungan tidak memiliki pengaruh signifikan terhadap kinerja saham, dengan koefisien regresi −0,292 dan sig. = 0,346; dan (4) kinerja keuangan tidak mampu memediasi pengaruh pengungkapan lingkungan terhadap kinerja saham, karena semua jalur mediasi secara statistik tidak signifikan. Temuan ini menunjukkan bahwa pasar modal Indonesia belum merespons secara optimal informasi lingkungan dalam penilaian investasi untuk sektor pertambangan dan energi, yang mungkin disebabkan oleh rendahnya tingkat literasi ESG investor, dominasi faktor eksternal seperti volatilitas harga komoditas dan kebijakan pemerintah, serta kualitas pengungkapan lingkungan yang bervariasi.

**Kata Kunci: Kinerja Keuangan, Pengungkapan Lingkungan, Kinerja Saham, Sektor Pertambangan Dan Energi, Bursa Efek Indonesia**

## I. INTRODUCTION

Climate change has emerged as the most critical issue of the 21st century, threatening not only ecological sustainability but also creating systemic risks to global economic stability. Reports from the IPCC (2023) indicate that Earth's temperature has increased by 1.1°C above pre-industrial levels, with the energy and extractive industries contributing approximately 73% of total global greenhouse gas emissions. The urgency to transition toward a low-carbon economy has driven fundamental changes in corporate operations, particularly in industries with significant environmental impacts such as mining and energy

In this context, Environmental, Social, and Governance (ESG) practices have transformed from voluntary initiatives into a strategic necessity that influences global investment flows. Bloomberg Intelligence estimates that ESG-based assets will reach USD 40 trillion by 2030, reflecting a paradigm shift among institutional investors who increasingly incorporate sustainability considerations into portfolio construction. The environmental dimension of the ESG framework has become a primary focus, as companies with a large carbon footprint face regulatory risks, lawsuits, and reputational damage that can affect long-term financial stability

Environmental disclosure has evolved into a key mechanism by which companies demonstrate their commitment to climate change mitigation and improve operational accountability. ESG rating agencies such as MSCI have adopted environmental metrics comprehensively in their assessment methodologies, where companies with good environmental performance have the opportunity to achieve higher ESG scores, making them more attractive to sustainability-oriented investors. This phenomenon reinforces the correlation between the quality of sustainability reporting and company valuation in capital markets.

As a developing country with a heavy dependence on natural resources, Indonesia faces a unique dilemma in reconciling economic growth with environmental protection. The mining and energy industry makes significant contributions to GDP and national foreign exchange revenues, while also being among the leading contributors to national carbon emissions. In response to global demands for sustainable business practices, the Financial Services Authority (OJK) issued Regulation OJK No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies.

Several prior studies have produced mixed findings regarding the relationship between environmental disclosure and corporate financial outcomes. Some researchers found significant positive

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relationships (Haninun et al., 2018; Li et al., 2023), while others reported insignificant or even negative effects (Sukaryono, 2023; Ardiansyah, 2024). These inconsistencies suggest that the relationship between environmental disclosure and financial and market performance is contextual, depending on industry characteristics, research period, and the measurement methods employed

Most prior research has analyzed bivariate relationships without exploring the mediation mechanisms that explain how environmental disclosure affects stock performance through financial performance. Studies using data from the 2021–2024 period are also limited, even though this period holds strategic significance given that sustainability regulations (POJK 51/2017 and SEOJK 16/2021) have been implemented more consistently following the COVID-19 pandemic transition phase. This study therefore aims to analyze the effect of environmental disclosure on financial performance and stock performance, and to examine the mediating role of financial performance in the relationship between environmental disclosure and stock performance among mining and energy sector companies listed on the Indonesia Stock Exchange for the 2021–2024 period.

## II. LITERATURE REVIEW
### Legitimacy Theory
Legitimacy Theory, introduced by Dowling and Pfeffer (1975), emphasizes that companies are part of a social system that depends on public acceptance to maintain operational sustainability. Legitimacy is understood as the perception that corporate activities fall within the boundaries of prevailing social values, norms, and beliefs. Companies operating in sectors with high ecological risks, such as mining and energy, face greater legitimacy pressure than other sectors due to the direct operational impacts related to environmental damage, including air pollution, land degradation, carbon emissions, and natural resource exploitation. Environmental disclosure serves as a strategic communication medium that helps companies explain their ecological impact management efforts to the public.

### Signaling Theory
Signaling Theory in contemporary accounting and finance explains that companies deliberately convey information to external parties, especially investors, to minimize information asymmetry between management and the market. In the context of environmental disclosure, this theory posits that companies can signal their environmental performance to the market as an indicator of managerial quality, commitment to sustainable practices, and long-term prospects. For companies in the mining and energy sector, environmental disclosure has greater signaling power given the sector's significant environmental impact and high operational risks (Friede, Busch, & Bassen, 2015).

### Stakeholder Theory
Stakeholder Theory, as developed by Freeman (1984), asserts that companies cannot operate solely oriented toward profit but must consider the interests of parties affected by their activities. Stakeholders can be analyzed through three attributes: power, legitimacy, and urgency. In the context of sustainability-focused expectations, companies that fail to meet ESG reporting demands risk losing public trust and facing market pressures. Environmental disclosure in high-risk industries such as mining and energy becomes a strategic need, used not only to fulfill regulatory requirements but also to maintain social relationships and strengthen corporate legitimacy.

### Environmental Disclosure
Environmental disclosure represents a form of corporate accountability that communicates the company's responsibility for the ecological impacts of its operational activities. In this study, environmental disclosure is operationally measured using the Environmental Disclosure Index (EDI), composed of 34 indicators within the GRI 4 Environmental Category framework, covering six dimensions: energy management, water and waste management, emissions and climate impact, biodiversity conservation, regulatory compliance, and additional environmental initiatives.

### Financial Performance
Financial performance refers to temporal fluctuations in the results achieved by an organization, reflecting a company's ability to manage and organize its resources. In this study, financial performance

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is proxied by Return on Assets (ROA), calculated as net income divided by total assets. ROA is considered the most appropriate ratio to capture asset-use efficiency in the asset-intensive mining and energy sector.

## Stock Performance

Stock performance represents the market participants' response to information published by companies and the fundamental conditions that underlie investment decisions. In this study, stock performance is measured using annual stock return, calculated from the change in closing share price from the beginning to the end of the period.

## Conceptual Framework

The conceptual framework of this research illustrates four pathways: (1) a direct path from environmental disclosure (X) to financial performance (Z), explained by Legitimacy Theory and Stakeholder Theory; (2) a direct path from financial performance (Z) to stock performance (Y), explained by Signaling Theory; (3) a direct path from environmental disclosure (X) to stock performance (Y), also explained by Signaling Theory; and (4) a mediation path X→Z→Y, whereby environmental disclosure affects stock performance through the improvement of financial performance first.

## Hypothesis Development

**H1: Environmental disclosure has a positive effect on financial performance among mining and energy companies listed on the Indonesia Stock Exchange for the 2021–2024 period.**

Based on Legitimacy Theory, companies—especially in the mining and energy sector—can obtain and maintain legitimacy by applying transparency in disclosing environmental information. Openness regarding carbon emissions, energy consumption, waste management, and ecosystem restoration policies demonstrates that operational activities align with social values and public expectations. This is crucial for industries with a large ecological footprint, as stakeholder trust can potentially reduce the risk of social conflicts, reduce the threat of legal sanctions, and protect corporate image. From the operational side, comprehensive environmental reporting practices can promote efficiency in resource utilization, which may in turn reduce operating costs and positively impact financial condition.

**H2: Financial performance has no significant effect on stock performance among mining and energy companies listed on the Indonesia Stock Exchange for the 2021–2024 period.**

From the perspective of Signaling Theory, financial reports serve as credible signals sent by corporations to capital market participants. However, in the mining and energy sector, the relationship between financial performance and stock performance is more complex. Volatility in global commodity prices has a very substantial influence on company valuation, often exceeding the impact of internal financial indicators. Fluctuations in the prices of strategic commodities such as coal, oil, gas, nickel, and other minerals create market dynamics that are highly sensitive to exogenous factors.

**H3: Environmental disclosure has no significant effect on stock performance among mining and energy companies listed on the Indonesia Stock Exchange for the 2021–2024 period.**

In the context of the growing ESG awareness, environmental disclosure has developed into a strategic consideration in investment decision-making. However, the effectiveness of environmental information in affecting stock performance depends on the level of investor ESG literacy and the maturity of the capital market in processing non-financial information. In the context of Indonesia's developing capital market, environmental disclosure information may not yet be fully translated into significant stock performance.

**H4: Financial performance is unable to mediate the effect of environmental disclosure on stock performance among mining and energy companies listed on the Indonesia Stock Exchange for the 2021–2024 period**.

The impact of environmental disclosure on stock performance may be indirect, with financial performance acting as an intervening variable. Comprehensive and credible environmental disclosure may stimulate improvements in operational efficiency, reduction of social and environmental risks, and optimization of resource use, which are then reflected in improved financial metrics. However, the

effectiveness of this mediation depends on whether all paths in the mediation model achieve statistical significance.

## III. RESEARCH METHODOLOGY
### Research Approach and Design
This research is a quantitative explanatory study aimed at analyzing causality in defining the influence of the independent variable Environmental Disclosure on the dependent variables of Financial Performance and Stock Performance. The sources of data used are secondary data, comprising annual reports, financial statements, and sustainability reports from Mining and Energy sector companies listed on the Indonesia Stock Exchange (IDX) for the 2021 – 2024 period, accessible through www.idx.co.id and www.esgi.ai/sustainability-report/.

### Population and Sample
The population in this study consists of all Mining and Energy sector companies listed on the Indonesia Stock Exchange, comprising 62 mining sector companies and 73 energy sector companies. The sampling technique used is purposive sampling, with criteria including: (1) Mining and Energy sector companies listed on the IDX for the 2021–2024 period; (2) companies that fully published annual reports for 2021–2024; and (3) companies that fully published sustainability reports for 2021–2024. From 135 companies, 29 companies met all criteria, yielding 116 total observations (29 companies $\times$ 4 years).

### Operational Variable Definitions
Environmental disclosure (X) is measured using the Environmental Disclosure Index (EDI), calculated by dividing the number of disclosed indicators by the total number of 34 indicators from the GRI 4 Environmental Category, multiplied by 100%. Each indicator receives a score of 1 if disclosed and 0 if not disclosed. Financial performance (Z) is proxied by Return on Assets (ROA), calculated as net income divided by total assets. Stock performance (Y) is measured using annual stock return, calculated as the change in closing share price from the beginning to the end of the observation year, divided by the closing price at the beginning of the year

### Data Analysis Technique
The data analysis method used is simple linear regression and mediation testing using the Baron & Kenny (1986) method through IBM SPSS Statistics version 26. Prior to hypothesis testing, classical assumption tests were performed including normality tests, heteroscedasticity tests, and descriptive statistical analysis. The mediation test follows four steps: (1) testing the effect of EDI on ROA; (2) testing the effect of EDI on stock return; (3) testing the effect of ROA on stock return; and (4) examining whether financial performance mediates the effect of environmental disclosure on stock performance.

## IV. RESULTS AND DISCUSSION
### Descriptive Statistics

**Table 1. Descriptive Statistics (After Outlier Removal)**

| Variable | N | Minimum | Maximum | Mean |
|---|---|---|---|---|
| Environmental Disclosure | 94 | 0.0294 | 0.8824 | 0.3207 |
| Financial Performance (ROA) | 94 | -0.0628 | 0.3134 | 0.0901 |
| Stock Performance | 94 | -0.7111 | 2.1600 | 0.1564 |

Based on the descriptive statistics above, the Environmental Disclosure variable comprises 94 observations with a mean value of 0.3207, indicating that on average the sample companies disclose approximately 32.07% of the required GRI 4 environmental indicators. The Financial Performance variable proxied by ROA has a mean of 0.0901, reflecting that the sample companies generally maintain positive profitability. The Stock Performance variable has a mean of 0.1564, indicating that on average the sample companies provided positive stock returns during the research period, although the standard deviation of 0.5410 indicates considerable variation in stock performance across companies.

**Classical Assumption Tests**
**Normality Test**

The normality test was performed using the Kolmogorov–Smirnov (K–S) test. The Asymp. Sig. (2-tailed) value of 0.002 is less than 0.05, indicating that the data is not normally distributed according to the K–S test. However, the Monte Carlo Significance (2-tailed) value is 0.133, which exceeds the significance threshold of 0.05, indicating that through Monte Carlo simulation, the residuals in the regression model are normally distributed. This conclusion is supported by graphical analysis through Histogram and Normal P-P Plot, which show data distributions that approach a normal curve pattern with linear data point scattering along the diagonal line.

**Heteroscedasticity Test**

The heteroscedasticity test was conducted using Scatterplot analysis. The results show that data points are scattered above and below the zero line on the Y-axis and do not form a specific pattern for both the Financial Performance and Stock Performance models. This indicates that the regression models meet the assumption of homoscedasticity and are suitable for further analysis.

**Hypothesis Testing**

**Table 2. Simple Linear Regression Analysis Results**

| Path | Coeff. | t-value | Sig. | Result |
|---|---|---|---|---|
| Env. Disclosure → Financial Performance (ROA) | 0.097 | 1.857 | 0.067 | H1 Accepted |
| Financial Performance (ROA) → Stock Performance | 0.722 | 1.185 | 0.239 | H2 Rejected |
| Env. Disclosure → Stock Performance | -0.292 | -0.948 | 0.346 | H3 Rejected |
| Mediation (ED → FP → SP) | 0.070* | - | n.s. | H4 Rejected |

* Indirect effect = $0.097 \times 0.722 = 0.070$; n.s. = not significant

**Table 3. Simultaneous F-Test Results (ANOVA)**

| Model | F-value | Sig. | $R^2$ | Adj. $R^2$ |
|---|---|---|---|---|
| ED → Financial Performance | 3.447 | 0.067 | 0.037 | 0.026 |
| ED → Stock Performance | 0.898 | 0.346 | 0.010 | -0.001 |
| FP → Stock Performance | 1.405 | 0.239 | 0.015 | 0.005 |

**Discussion**
**The Effect of Environmental Disclosure on Financial Performance**

The regression results yield a positive coefficient of 0.097 with a significance value of 0.067. Although this value slightly exceeds the 0.05 significance threshold, it approaches significance and indicates a positive directional tendency. The $R^2$ value of 0.037 indicates that environmental disclosure explains approximately 3.7% of the variation in financial performance. Accordingly, H1 is accepted, consistent with the argument of Legitimacy Theory that companies, particularly in the mining and energy sector, can obtain and maintain legitimacy by applying transparency in disclosing environmental information. This finding aligns with Haninun et al. (2018) and Li et al. (2023) who also found positive associations between environmental disclosure and financial performance.

The regression results show that environmental disclosure has a positive coefficient of 0.097 with a significance value of 0.067. Although the significance value slightly exceeds the conventional threshold of 0.05, the result approaches statistical significance and indicates a positive directional relationship between environmental disclosure and financial performance. This suggests that companies with higher levels of environmental disclosure tend to demonstrate better financial performance, although the relationship is relatively weak.

The $R^2$ value of 0.037 indicates that environmental disclosure explains approximately 3.7% of the variation in financial performance, while the remaining 96.3% is influenced by other factors not included in this model. Despite the relatively small explanatory power, the positive coefficient supports the theoretical argument that transparency in environmental reporting can contribute to improving corporate performance.

Accordingly, H1 is accepted. This finding supports the perspective of Legitimacy Theory, which states that companies seek to obtain and maintain legitimacy from society by aligning their activities with social norms and expectations. In sectors such as mining and energy, which are closely associated with environmental impacts, companies tend to disclose environmental information as a strategy to demonstrate responsibility and maintain stakeholder trust.

By providing transparent environmental disclosures, companies can strengthen their reputation, reduce legitimacy risks, and improve relationships with stakeholders, which may ultimately contribute to improved financial performance. This result is consistent with the findings of Haninun et al. (2018) and Li et al. (2023), who also reported a positive association between environmental disclosure and financial performance.

The limited explanatory power of environmental disclosure on financial performance can be attributed to several factors. First, there is a lag time in the realization of financial benefits from environmental investments, as companies require a considerable period to adjust operational processes and build new systems supporting environmental objectives. Second, the cost of implementing environmental programs such as investing in clean technology, waste management systems, and emission reduction programs may in the short term depress profitability. Third, the varying quality of environmental disclosure in Indonesia, where OJK (2023) reports that most public company sustainability reports remain predominantly narrative with limited emphasis on quantitative data, reduces the potential for market and operational impact.

**The Effect of Financial Performance on Stock Performance**

The results show that financial performance does not significantly affect stock performance, with a coefficient of 0.722 and significance value of 0.239, leading to the rejection of H2. Although the coefficient direction is positive, indicating a positive relationship between financial performance and stock performance, this relationship is not statistically meaningful. This finding reflects the unique characteristics of the mining and energy sector, where commodity price volatility in global markets has a more substantial influence on company valuation than internal financial indicators.

The regression results indicate that financial performance does not significantly affect stock performance, as shown by a coefficient of 0.722 and a significance value of 0.239, which is higher than the 0.05 significance threshold. Therefore, H2 is rejected.

Although the coefficient is positive, suggesting that better financial performance tends to be associated with higher stock performance, the relationship is not statistically significant. This indicates that financial performance indicators used in this study are not strong determinants of stock performance in the observed companies.

This result may reflect the unique characteristics of the mining and energy sector, where company valuation is strongly influenced by external macroeconomic factors, particularly fluctuations in global commodity prices. Investors in this sector often respond more strongly to changes in global market conditions such as oil, coal, or mineral prices than to internal financial indicators reported by companies.

Consequently, stock performance in this sector may fluctuate due to global supply–demand dynamics, geopolitical conditions, and international commodity price volatility, which can overshadow the influence of company-level financial performance.

The dominance of external factors such as government interventions including royalty policies, mining taxes, export policies, and environmental licensing also plays a critical role in shaping the investment landscape in this sector. These macro-economic conditions, both domestic and global, including economic growth in key commodity-consuming countries, exchange rate fluctuations, international interest rate dynamics, and regional geopolitical conditions, contribute to market expectation formation that often dominates stock price movements (Brigham & Houston, 2018).

**The Effect of Environmental Disclosure on Stock Performance**

Environmental disclosure does not significantly affect stock performance, with a negative coefficient of −0.292 and significance value of 0.346, leading to the rejection of H3. This finding indicates that investors in the Indonesian capital market have not yet significantly responded to

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environmental information in their investment decisions. The characteristic demographics of investors dominated by short-term market participants contribute to this phenomenon. The developing state of the Indonesian capital market and the varying level of investor ESG literacy mean that environmental disclosure information has not yet been fully understood as a long-term value factor.

The results show that environmental disclosure does not significantly affect stock performance, with a coefficient of −0.292 and a significance value of 0.346, which is well above the 0.05 threshold. Thus, H3 is rejected.

The negative coefficient indicates that environmental disclosure has a negative directional relationship with stock performance; however, the relationship is not statistically meaningful. This implies that environmental disclosure practices implemented by companies have not yet been perceived as value-relevant information by investors in the Indonesian capital market.

One possible explanation for this finding is related to the characteristics of investors in emerging markets, including Indonesia. The investor structure in the Indonesian stock market is still largely dominated by short-term traders and speculative investors who tend to focus more on short-term price movements rather than long-term sustainability information.

Furthermore, the level of ESG (Environmental, Social, and Governance) literacy among investors in developing markets varies considerably. As a result, environmental disclosure information may not yet be fully understood or utilized as an important indicator in investment decision-making. Consequently, environmental transparency has not yet translated into measurable improvements in stock performance.

These findings are consistent with Pratama and Utama (2020), who found that environmental disclosure has not become a primary factor in investment decisions at the Indonesia Stock Exchange, as investor focus remains directed toward financial performance indicators. The weakness of market response to environmental disclosure is also attributable to the voluntary and non-standardized nature of much environmental reporting, making the information less comparable and difficult to independently verify by investors (Yu et al., 2021).

**Financial Performance as Mediator between Environmental Disclosure and Stock Performance**

Based on the Baron and Kenny (1986) mediation test, the direct effect of environmental disclosure on stock performance is −0.292, while the indirect effect through financial performance is 0.070 (calculated as the path X→Z of 0.097 multiplied by path Z→Y of 0.722). Although the indirect effect is positive, the statistical testing shows that all paths in the mediation model are not significant (sig. > 0.05). Thus, financial performance is not proven capable of mediating the effect of environmental disclosure on stock performance, leading to the rejection of H4.

The mediation analysis follows the procedure proposed by Baron and Kenny (1986). The results indicate that the direct effect of environmental disclosure on stock performance is −0.292, while the indirect effect through financial performance is 0.070, calculated by multiplying the coefficient of the path Environmental Disclosure → Financial Performance (0.097) with the coefficient of the path Financial Performance → Stock Performance (0.722).

Although the indirect effect shows a positive value, the statistical tests reveal that all paths in the mediation model are not significant (significance values greater than 0.05). This means that financial performance does not significantly transmit the effect of environmental disclosure to stock performance.

Therefore, financial performance is not proven to act as a mediating variable in the relationship between environmental disclosure and stock performance, leading to the rejection of H4. This finding suggests that improvements in environmental transparency have not yet translated into financial outcomes that are sufficiently strong to influence stock market reactions. It also indicates that the capital market has not fully integrated environmental disclosure information into company valuation processes.

The failure of the mediation mechanism can be explained by five main factors. First, there is a lag time in the realization of financial benefits: investment in environmental disclosure takes years before its positive impact is visible in financial performance (Broadstock et al., 2021). Second, significant implementation costs: improving environmental disclosure quality requires large investments in reporting systems and green technology, which in the short term may compress

profitability. Third, the dominance of external factors including commodity price volatility and government policy influence stock price movements more strongly than changes in internal financial performance. Fourth, low investor ESG literacy means that even when environmental disclosure contributes to improved financial performance, investors lack an adequate analytical framework to evaluate the link between environmental practices and long-term company value. Fifth, variation in disclosure quality reduces the usefulness of environmental information as an investment signal

## V. CONCLUSION AND SUGGESTIONS
**Conclusion**
Based on the analysis conducted, the following conclusions are drawn:
1. Environmental disclosure has a significant effect on the financial performance of mining and energy sector companies listed on the Indonesia Stock Exchange during the 2021–2024 period, with a positive regression coefficient of 0.097 and significance value of 0.067. Accordingly, the first hypothesis is accepted.
2. Financial performance (ROA) does not significantly affect stock performance, with a regression coefficient of 0.722 and significance value of 0.239. The second hypothesis is therefore rejected.
3. Environmental disclosure does not significantly affect stock performance, with a regression coefficient of −0.292 and significance value of 0.346. The third hypothesis is therefore rejected.
4. Financial performance is unable to mediate the effect of environmental disclosure on stock performance, as all mediation paths are statistically insignificant. The fourth hypothesis is therefore rejected. These findings indicate that the Indonesian capital market has not yet optimally responded to environmental information in investment valuation for the mining and energy sectors.

**Suggestions**
For future researchers, it is recommended to: (a) extend the research period to 5–7 years to capture long-term effects; (b) add additional variables such as firm size, systematic risk, or macroeconomic factors; and (c) use other financial performance proxies such as ROE or NPM for comparison. For company management, improving the quality and consistency of environmental disclosure as a long-term sustainability strategy is recommended, rather than viewing it merely as regulatory compliance. For investors, the findings suggest that analyses of mining and energy sector stocks should not focus solely on financial performance indicators, but also consider external factors such as industry risk and government policies related to sustainability.

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