



## Beyond the Green Cosmetic: Evaluating the Non-Significance of Environmental Disclosure and Hedging Strategy on Market Valuation

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<b>Article Info</b>  Keywords: <ul style="list-style-type: none"> <li>○ Environmental Disclosure</li> <li>○ Hedging Policy</li> <li>○ Firm Value</li> </ul>	<b>Abstract</b>  <p><i><b>Purpose</b> - This study aims to examine the effect of Environmental Disclosure and Hedging Policy on Firm Value in transportation, logistics, and energy sector companies listed on the Indonesia Stock Exchange during 2022–2024.</i></p>
<b>Article History</b> Received: 03–01-2026 Revised: 10–02-2026 Accepted: 02–03 -2026 Published: 26–05 -2026	<p><i><b>Design/methodology/approach</b> - This study employs a quantitative approach using panel data regression analysis. The sample consists of 47 companies selected through purposive sampling from a population of 128 firms. Model selection was conducted using the Chow test, Hausman test, and Lagrange Multiplier test. The final estimation model used is the Random Effect Model (REM).</i></p>
<b>DOI</b>  <a href="https://doi.org/10.65440/e322t811">https://doi.org/10.65440/e322t811</a>   Copyright: © 2026 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license ( <a href="https://creativecommons.org/licenses/by-sa/4.0/">https://creativecommons.org/licenses/by-sa/4.0/</a> )	<p><i><b>Findings</b> - The results indicate that Environmental Disclosure has no significant effect on Firm Value. Similarly, Hedging Policy does not significantly influence Firm Value. These findings suggest that environmental transparency and risk management practices have not yet been fully valued by the Indonesian capital market during the observed period.</i></p> <p><i><b>Research limitations/implications</b> - This study is limited to secondary data obtained from annual reports and a relatively short observation period (2022–2024). Future research is recommended to extend the period and refine measurement proxies.</i></p> <p><b>JEL</b> : G32, G11, M41</p>

### INTRODUCTION

The main goal of establishing a corporation in the modern business landscape is no longer simply oriented towards achieving short-term profits, but rather on increasing the company's value in a sustainable way. Company value is a crucial indicator that reflects market perception of financial performance, governance, and future growth prospects (Yanto, 2026). In the midst of increasingly competitive global market dynamics, management's ability to sustain the company's value expansion is a positive signal that investors and creditors are eagerly awaiting. Therefore, understanding the strategic instruments that are able to positively drive company

value remains a crucial focus in the financial management and accounting literature.

Global macroeconomic conditions in recent years, especially entering the period 2024 to early 2026, are characterized by high market volatility, persistent inflationary pressures, and geopolitical uncertainty. This situation triggers sharp fluctuations in foreign exchange rates and global commodity price instability, which directly suppresses the company's operational profitability margins across sectors (Aleke, 2025). This macroeconomic uncertainty requires the corporate sector to not only focus on conventional sales strategies, but also to adopt comprehensive financial risk mitigation mechanisms to secure cash flow and maintain capital market confidence.

As a direct response to this economic instability, the implementation of hedging policies has become a very relevant risk management tool. Hedging policies, both through derivatives instruments and other financial options, serve as a protective shield that minimizes the company's exposure to the risk of losses due to exchange rate fluctuations and interest rates (Lestari and Hasanah, 2024). Through measurable financial risk management, companies can project future cash flows with a higher level of certainty. This logistical and financial certainty is ultimately positively assessed by investors as a form of mature and high-value risk management.

On the other hand, in addition to being faced with financial shocks, the contemporary business landscape is also undergoing a massive investment paradigm shift, where investors no longer rely solely on traditional financial indicators. Global climate change, environmental degradation, and decarbonization demands force companies to integrate sustainability aspects into their operations (Adiansyah, 2026). The trend of Environmental, Social, and Governance (ESG) based investing is growing rapidly, changing the way the capital market assesses the long-term health of a corporation. As a result, environmental disclosure has become a vital communication instrument for modern corporations to show their accountability to the public.

Theoretically, environmental disclosure serves as a means to reduce information asymmetry between internal management and external stakeholders. Companies that transparently publish carbon emission reports, waste management, and energy use efficiency are considered to have a high commitment to earth sustainability (Windia, 2024). This non-financial transparency provides social legitimacy for the company's operations while building a strong corporate reputation in the eyes of consumers, business partners, and the global community. When this legitimacy is established, the risk of social rejection or legal sanctions is reduced, which indirectly strengthens the stability of the company's market value.

The correlation between environmental disclosures, hedging policies, and corporate values can be comprehensively explained through the lens of Signaling Theory. Based on this theory, every strategic policy and accounting information released by management acts as a signal or signal regarding the company's future prospects (Fadmaulida and Putra, 2024). The disclosure of environmental activities signals that companies are adaptive to green transition risks, while hedging policies signal that management is proactive in mitigating financial market risks. These positive signals are captured by capital market participants, triggering an increase in demand for stocks, and ultimately hoisting the stock price and the value of the company's Tobin's Q.

In addition to Signal Theory, Stakeholder Theory also provides a strong foundation that the existence of a company is highly dependent on the support of a broad group of stakeholders, not just shareholders. Companies are required to be able to balance the



achievement of financial profits with ecological responsibilities in order to satisfy the expectations of the community, the government, and environmental activists (Julianda, 2026). Good environmental management policies, followed by honest disclosure, create harmonious relationships with stakeholders. This harmonization minimizes external conflicts, streamlines the supply of resources, and triggers long-term cost efficiencies that positively impact the company's value.

The urgency of this non-financial disclosure in Indonesia is reinforced by the increasingly stringent formal regulatory framework issued by financial authorities. The government through the Financial Services Authority (OJK) has enacted OJK Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This regulation requires all public companies to prepare and publish Sustainability Reports on a regular basis alongside their annual reports. The existence of this regulation confirms that the environmental aspect is no longer just a voluntary activity of corporations, but legal compliance that must be fulfilled and evaluated for its impact on market valuation.

In the realm of financial risk management, Bank Indonesia (BI) has also established a series of rules to strengthen the stability of the domestic financial system from external shocks. Bank Indonesia (PBI) regulations related to hedging obligations on certain foreign exchange transactions force corporations, especially those with high external debt exposure, to implement hedging activities in a disciplined manner. The existence of layered regulations from the OJK and BI shows that environmental disclosure and hedging policies are the two main pillars of compliance in the business environment in Indonesia today. However, the effectiveness of the implementation of the two regulatory compliance on strengthening the company's value on the stock exchange still leaves significant academic debate.

Although environmental disclosure is believed to improve corporate reputation and value, previous empirical studies have shown highly inconsistent findings, which is the first research gap in this study. Several studies have found that environmental information transparency is positively responded to by the market and has been proven to increase company value because it increases investor confidence (Windia, 2024; Julianda, 2026). On the contrary, separate research shows that environmental disclosure does not have a significant or even negative influence on company value, because markets in developing countries often consider social and environmental costs as burdens that reduce net profitability (Dewi, 2025; Fadmaulida and Putra, 2024).

The inconsistency in the impact of environmental disclosures is further complicated by the dynamics of capital market behavior in the current era of high volatility. Recent phenomena show that the disclosure of sustainability aspects is sometimes considered biased by the market, where investors suspect the practice of greenwashing that is symbolic for the sake of regulatory compliance alone, without reflecting substantial ecological performance (Liu et al., 2026). As a result, such environmental information can actually increase market uncertainty and stock price volatility. This inconsistency in market perception of the urgency of non-financial information confirms that retesting of this variable is crucial to be carried out.

The second research gap was found in the analysis of the effectiveness of hedging policies on company value. Theoretically and supported by some empirical evidence, hedging activities make a strong positive contribution to a company's value by reducing bankruptcy costs and

systematic risk (Lestari and Hasanah, 2024). However, there is a counter-argument that the use of derivative instruments for hedging entails a very high premium cost and demands high managerial expertise. If misused or mismanaged, this hedging activity risks shifting into an act of financial speculation that harms the company's cash flow, so the market responds negatively.

Most previous studies have tended to analyze the determinants of a company's value separately, i.e. separating the non-financial risk dimension (such as environmental issues) and the purely financial risk dimension (such as foreign exchange market risk). The limitations of model integration are what motivated the implementation of this research. Combining environmental disclosures and hedging policies into a single empirical model together provides a more holistic and realistic perspective on how companies manage risk dualism – long-term ecological risk and short-term financial risk – in an effort to boost the company's value in the eyes of investors (Lestari and Hasanah, 2024).

The novelty of this study lies in empirical testing conducted in the midst of macroeconomic recovery and the tightening of ESG regulations in Indonesia in the latest period (2024-2026). This study uses secondary data from financial statements and sustainability reports of issuers listed on the Indonesia Stock Exchange (IDX). By analyzing the current period, this study was able to record the most actual market response to compliance with POJK 51/2017 regulations as well as the practical usefulness of corporate hedging strategies in facing contemporary macroeconomic challenges, which have not been widely covered in the previous literature.

Based on the background, regulatory dynamics, and research gaps that have been described, this study specifically aims to analyze and empirically test the influence of environmental disclosure and hedging policy on firm value. Systematically, this journal article is organized into several main sections. After this introduction, the second part will present the literature review and hypothesis development, followed by the research methods in the third part. The fourth part will present the results of the data analysis and in-depth discussion, and this article will be closed by the fifth part which presents the conclusions, theoretical-practical implications, and limitations of the research.

## LITERATUR REVIEW

### Agency Theory

Agency theory explains the relationship between principals (shareholders) and agents (management), which may create conflicts of interest due to differences in objectives (Jensen & Meckling, 1976). To reduce agency conflicts, companies are encouraged to increase transparency and implement risk management mechanisms. Environmental disclosure represents transparency toward stakeholders, while hedging policy reflects management efforts to reduce financial risk exposure.

### Resource-Based View (RBV)

The Resource-Based View (RBV) emphasizes that sustainable competitive advantage arises from valuable, rare, inimitable, and non-substitutable resources. In this context, environmental management capability and risk management competence may be considered



strategic resources that potentially enhance firm value.

### **Signaling Theory**

Signaling Theory was first proposed by Spence (1973) which explained the existence of asymmetric information, which is a condition when the company's internal party has more complete information than external parties. To reduce uncertainty, the company provides signals through various published information so that external parties, especially investors, can make the right decisions. In the context of companies, asymmetric information occurs because management has faster and more accurate access to information than investors, so investors are highly dependent on signals provided through financial statements and other disclosures.

### **Legitimacy Theory**

Legitimacy theory posits that companies seek to operate within societal norms and expectations to maintain legitimacy. Environmental disclosure serves as a strategic tool to demonstrate corporate responsibility toward environmental sustainability. When stakeholders perceive a company as environmentally responsible, firm value may increase due to improved corporate reputation and investor confidence.

### **Environmental Disclosure**

According to (Disclosure et al., 2023) The wider the environmental disclosure that a company conducts, the more information that stakeholders and investors receive, so that it can influence investment decisions and increase the value of the company. Meanwhile, according to (High & Economics, 2022) , environmental disclosure It is information about environmental management that reflects the company's responsibility and positive image, thereby increasing public trust and investor interest.

### **Hedging Policy**

According to (Investments et al., 2024) , The hedging principle is a risk transfer strategy in futures trading by covering the potential loss of the initial asset through the gains of the hedging instrument, thereby reducing the impact of foreign exchange rate changes. Meanwhile, according to (Sukistini et al., 2018) states that Hedging Help companies deal with the risk of default due to foreign exchange exposure by predicting cash flow more accurately, supporting better financial decisions.

### **Firm Value**

According to (Hidayat & Tasliyah, 2022) firm value is the investor's perception of the company's success in managing resources to generate profits in the future. The company's high value reflects optimal shareholder welfare. Meanwhile, according to (Grace, 2022) Firm value is a reflection of investors' perception of the company's performance related to the stock price.

### **Hypothesis Development**

## The Effect of Environmental Disclosure on Firm Value

Theoretically, the relationship between *environmental disclosure* and *firm value* can be validated through the integration of *signaling theory* and *stakeholder theory*. Based on *signaling theory*, the provision of information about environmental protection activities in sustainability reports acts as a positive signal (*green signal*) from management to capital market participants (Fadmaulida and Putra, 2024). This transparency shows that the company is not only focused on short-term profit accumulation, but has a long-term commitment to mitigating ecological risks. Meanwhile, from the perspective of *stakeholder theory*, environmental disclosure is a strategic instrument to obtain social legitimacy from the community and compliance with government regulations, such as POJK Number 51/POJK.03/2017 (Julianda, 2026). When this social legitimacy is achieved, the risk of legal sanctions or public boycotts is reduced, which linearly increases market confidence and hoists the value of the Company.

Recent empirical studies provide strong evidence that non-financial information transparency is responded positively by investors because it is able to reduce information asymmetry in the market. Companies that comprehensively present carbon emissions, energy efficiency, and waste management data are considered to have healthier and future-oriented corporate governance (Windia, 2024). Contemporary investors, especially those based on *Environmental, Social, and Governance* (ESG) principles, tend to be willing to pay higher stock price premiums for entities that have transparent environmental performance (Adiansyah, 2026). This positive assessment from the investment community ultimately increases the stock price on the stock exchange, which automatically impacts the improvement of the company's value metrics such as Tobin's Q or *Price to Book Value* (PBV).

Although there is some debate about the potential high cost of *disclosure* that companies must incur to conduct environmental audits, the consensus in the latest literature still emphasizes that the long-term benefits of this information disclosure far exceed the operational costs (Dewi, 2025). High environmental transparency reduces the perception of investment risk in the eyes of shareholders, thereby reducing the cost of *capital* of corporations (Liu et al., 2026). In the midst of global market trends that increasingly demand decarbonization and green accountability in the 2024-2026 period, companies that excel in environmental disclosure will win a competitive advantage on the stock exchange. Based on the theoretical synthesis and empirical evidence, the first hypothesis is formulated as follows:

**H<sub>1</sub>: Environmental Disclosure positively affects Firm Value.**

## The Effect of Hedging Policy on Firm Value

In the face of macroeconomic dynamics characterized by sharp exchange rate fluctuations, *hedging policy* plays a crucial role as a shield for corporate financial stability. The *hedging policy*, which is realized through derivative instruments such as *forward* contracts, *swaps*, or *options*, theoretically serves to reduce the volatility of a company's future cash flow caused by foreign currency exposure (Lestari and Hasanah, 2024). Through the certainty of maintained cash flow, management can carry out long-term capital and investment budgeting plans without having to worry about the risk of bankruptcy (*financial distress cost*). This reduction in the potential risk of bankruptcy provides a sense of security for creditors and investors, who in turn provide a higher valuation of these corporate entities in the capital market (Yanto, 2026).



Global macroeconomic conditions in the current period have forced companies to be proactive in managing systematic financial risks. Investors tend to avoid companies that leave their earnings directly exposed to foreign exchange rate shocks in the absence of a clear mitigation mechanism (Aleke, 2025). The implementation of *the hedging* policy sends a strong signal to the market that management has high financial capabilities and expertise in dealing with macro uncertainties (Fadmaulida and Putra, 2024). By minimizing unexpected profit variances due to exchange rate fluctuations, companies can maintain a stable dividend policy. The stability of financial performance and the consistency of dividend distribution are the main catalysts in attracting investor interest, which in turn drives the company's market value up.

Although the implementation of *hedging* requires the expenditure of derivative premium costs and strict managerial supervision, the market views this hedging activity as a strategic investment to maintain business continuity (*going concern*), not as a wasteful cost (Lestari and Hasanah, 2024). Through compliance with Bank Indonesia's rules related to hedging obligations, the risk of default on external debt can be significantly reduced (Dewi, 2025). Investors in developing countries, including Indonesia, show a strong preference for issuers that implement strict financial risk management in the current era of economic uncertainty. Based on the theoretical and empirical arguments that have been presented, the second hypothesis is formulated as follows:

**H<sub>2</sub>: Hedging Policy positively affects Firm Value.**

## RESEARCH METHOD

### Types and Sources of Research Data

The type of data used in this study is secondary data, which is data provided by other parties and does not come from direct sources. The data obtained is in the form of corporate financial statements issued by the Indonesia Stock Exchange (IDX) for 2022 – 2024. The population used in this study is the transportation, logistics, and energy sectors listed on the Jakarta Stock Exchange (IDX). Sampling was carried out using the random sampling method. The population is 128 and the ones that meet the criteria are 47 companies.

Meanwhile, the measurement of the variables used for each variable is as follows:

**Table 1. Measurement of Variable**

Yes	Variable	Measurement	Source
1.	<i>Environmental Disclosure</i>	$ED = \frac{\text{Number of environmental items disclosed}}{\text{Total environmental disclosure items}}$	(High & Economics, 2022)
2.	<i>Hedging Policy</i>	$HP = \begin{cases} 1, & \text{if the company uses hedging instruments} \\ 0, & \text{otherwise} \end{cases}$	(Lestari & Indah, 2024)
3.	<i>Firm Value</i>	$\text{Tobin's } Q = \frac{\text{Market Value of Equity} + \text{Total Debt}}{\text{Total Assets}}$	(Lokman et al., 2025)

## RESULTS

**Table 1. 1 Descriptive Analysis**



Variable	N	Min	Max	Mean	Std. Dev
AND	141	0.468800	0.687500	0.464806	0.063806
HP	141	0.000000	1.000000	0.319149	0.467809
FV	141	1.033600	8.100500	1.673421	1.671741

Description:

ED: *Environtmental Disclosure*, HP: *Hedging Policy*, FV: *Firm Value*

**Best Requirements Testing**

1. Chow Test

- Decision making criteria based on probability values (Prob) Cross Section F: If the probability value < 0.05, then the model used is more appropriately used is the Fixed Effect Model.
- If the probability value > 0.05 then the Common Effect Model is more suitable. Decision-making criteria based on the value of F calculated:

**Table 2. Chow Test**

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.458895	(46,92)	0.0000
Cross-section Chi-square	141.577994	46	0.0000

Source: *Processed data (2025)*

Based on the results of the Chow Test conducted using E-Views 9, a *cross-section* probability value of F was obtained of 0.0000, which is smaller than the significance level of 5% ( $\alpha = 0.05$ ). These results show that the most suitable model is the *Fixed Effect Model (FEM)*. Therefore, it is necessary to perform the Hausman Test to determine which model is more appropriate to use between *the Fixed Effect Model* and *the Random Effect Model*.

2. Hausman Test

A *thirst test* is used to determine the best model between *the Fixed Effect Model* and *the Random Effect Model* that is most appropriately performed.

Decision-making criteria:

- If the probability value < 0.05, then the more suitable model is the Fixed Effect Model.
- If the probability value > 0.05, then the more appropriate model to use is the Random Effect Model.

**Table 3. Hausman Test**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
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Cross-section random 0.414121 2 0.8130

Source: Processed data (2025)

The results of the Hausman Test show a probability value of 0.8130, which is greater than the significance level of 5% ( $\alpha = 0.05$ ). Thus, the most appropriate model to use is the *Random Effect Model*.

### 3. Lagrange Multiplier (LM) Test

The *Lagrange Multiplier (LM)* test is used to determine whether the most appropriate *Common Effect Model* or *Random Effect Model* is used:

**Table 4. Lagrange Multiplier (LM) Test**

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	28.25111 (0.0000)	1.152312 (0.2831)	29.40342 (0.0000)
Honda	5.315177 (0.0000)	-1.073458 --	2.999348 (0.0014)
King-Wu	5.315177 (0.0000)	-1.073458 --	0.034100 (0.4864)
Standardized Honda	5.546649 (0.0000)	-0.808979 --	-1.905702 --
Standardized King-Wu	5.546649 (0.0000)	-0.808979 --	-2.436458 --
Gourieriou, et al.*	--	--	28.25111 ( $< 0.01$ )

\*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Source: Processed data (2025)

### Hypothesis Test



**Table 5. Partial Test (Fixed Effect Model)**

Variable	Prediction	Coefficient	T-Statistics	Prob.	Explanation
C		1.074532	1.004745	0.3177	
AND	+	1.391113	0.605962	0.2730	ED has an effect on FV and has a different direction, meaning it does not support the theory
HP	+	-0.149486	-0.217966	0.41395	HP has no effect on FV and has a different direction, meaning it does not support the theory
<i>R-Squared</i>					0.636222
<i>Adjusted R-Squared</i>					0.446425
<i>F-Statistic</i>					3.352115
<i>Prob (F-Statistic)</i>					0.000000

Source: Processed data (2025)

Description:

ED: Environmental Disclosure, HP: Hedging Policy

**Coefficient Determination Test**

**Table 6. Determination Coefficient Test Table**

R-squared	0.636222	Mean dependent var	1.673421
Adjusted R-squared	0.446425	S.D. dependent var	1.671741
S.E. of regression	1.243819	Akaike info criterion	3.542314
Sum squared resid	142.3319	Schwarz criterion	4.567061
Log likelihood	-200.7332	Hannan-Quinn criter.	3.958736
F-statistic	3.352115	Durbin-Watson stat	2.452731
Prob(F-statistic)	0.000000		

Based on table 6, *R-Square* shows a value of 0.63622 which means that 63.62% of the Environmental Disclosure and Hedging Policy variables can explain the Firm Value variable.

**Partial Test (T-Test)**

The results of the test using *the Fixed Effect Model (FEM)* can be concluded as follows:

1. Environmental Disclosure with a probability value of  $0.31772/2 = 0.15885 > 0.05$ , it can be interpreted that the Environmental Disclosure variable has a negative and statistically insignificant effect on Firm Value.
2. Hedging Policy with a probability value of  $0.8279/2 = 0.41395 > 0.05$ , it can be interpreted that the Hedging Policy variable has a negative and statistically insignificant effect on Firm Value.

**DISCUSSIONS**



## The Effect of Environmental Disclosure on Firm Value

Based on the results of the linear regression test that has been carried out, the Environmental Disclosure (ED) variable represented by the code AND in the analysis table shows a path coefficient value of 1.391113. Partial testing yielded a t-statistics value of 0.605962 with a probability level (Prob.) of 0.2730. This probability value is much greater than the significance limit defined in social and business research, which is alpha 5% (0.05). These empirical results prove that environmental disclosure does not have a significant influence on firm value in the transportation, logistics, and energy sectors in Indonesia for the 2022–2024 observation period. Thus, the first hypothesis (H1) that predicts the existence of a positive and statistically significant influence is officially rejected. Although the regression coefficient points in a positive direction (+1.391113) which means that mathematically the increase in disclosure is in the direction of the increase in value – the absence of statistical significance indicates that the impact is not real or strong enough to influence investor decisions en masse. This phenomenon shows that there is a misalignment between the normative goals of environmental reporting and the pragmatic reality in the Indonesian capital market. Investors on the Indonesia Stock Exchange (IDX), especially in the energy commodity, transportation, and logistics network sectors, do not seem to have placed the portion of non-financial information as the main component in calculating their stock price valuations.

Theoretically, the failure of *Signaling Theory* in explaining the relationship of these variables is due to the asymmetry of perception of the signals sent by management. Green signals in the form of disclosure of CSR activities, waste management, and decarbonization published in the *Sustainability Report* are considered by the market as cosmetic information or simply the fulfillment of regulatory formalities (*symbolic compliance*). During the 2022–2024 period, market participants are more focused on absolute short-term financial signals, such as *net profit growth* and *return on equity* (ROE), considering that the current economic situation is in a recovery phase that demands cost efficiency.

If associated with *Stakeholder Theory*, the company has indeed tried to meet the expectations of broad interest groups (government and environmental activists) through green aspect reporting, but this fulfillment has not been able to satisfy the expectations of the group of *shareholders* who want maximum dividends. For investors in the energy and logistics sectors, environmental issues are often identified with an increase in the operational cost structure. The procurement of environmentally friendly technology or the conversion of transportation fleets into low-emission vehicles requires a *very large capital expenditure*, which in the short term is considered to reduce investors' dividend rights.

The macroeconomic conditions for the 2022–2024 period colored by the surge in global energy commodity prices (such as coal and petroleum) reinforce the reasons why environmental disclosures are ignored. When energy commodity prices soar, investors flock to buy shares of pure energy companies regardless of how much carbon emissions they produce or how transparent the company's environmental reports are. High profitability due to *commodity windfall* is much more attractive to investors than the value of the environmental disclosure index, so the stock market price remains skyrocketing even though corporate environmental disclosures are at a low level

The characteristics of the sample dominated by transportation and logistics companies

also explain these results. The logistics and transportation sectors in Indonesia are still heavily dependent on low-cost fossil fuels to maintain tariff competitiveness. When companies try to do massive environmental disclosures, investors worry that this is an indication that companies will soon switch to more expensive alternative fuels, potentially lowering profit margins. Fears of declining competitiveness amid tight domestic logistics competition have made the market respond neutrally to any environmental disclosure announcement.

Seeing this empirical reality, the company's policy that must be changed is the approach in compiling the environmental disclosure itself. Management must change the format of disclosure from purely narrative-qualitative to quantitative-financial materiality. Companies must be able to demonstrate in their reports that good environmental management has succeeded in reducing operational costs, for example through energy savings or minimization of waste fines. If management is able to correlate direct environmental disclosures with post-cost efficiency of accounting, investors will begin to see this non-financial information as an indicator of future profitability, rather than as a cosmetic burden.

On the other hand, the policy that must be maintained by the company is a commitment to compliance with OJK Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance. Although research results show no immediate impact on stock prices, maintaining environmental disclosure is essential as a reputation risk management tool. If companies stop these disclosures, they risk being subject to administrative sanctions from capital market authorities and losing access to *green financing* from global banks, which are currently beginning to implement strict ESG prerequisites for corporate credit applications.

Maintaining environmental disclosures also serves as a long-term legal shield. The energy and transportation sectors are the sectors most vulnerable to work accidents and environmental pollution (such as oil leaks or extreme air pollution). By maintaining a track record of transparent disclosures year after year, the company builds a social legitimacy savings. If there is an unexpected environmental crisis in the future, the market and society will not impose too extreme social sanctions because companies are considered to have been historically open and responsible.

As a conclusion for this first part, the lack of environmental disclosure on the value of the company in these 47 samples reflects the transition phase of the Indonesian capital market towards a sustainable market, but it is not yet fully mature. Environmental information is considered to not have material *information content* to change investment decisions in capital-intensive sectors such as energy and logistics. Companies are required to maintain aspects of ecological transparency for regulatory compliance, while changing the orientation of their green strategy to have a more tangible impact on the efficiency of the company's real operating costs.

## The Effect of Hedging Policy on Firm Value

In the second hypothesis test, the Hedging Policy (HP) variable produced a regression coefficient value of -0.149486. Partially, the t-statistical value for this variable is -0.217966 with a probability level (Prob.) by 0.41395. Because this probability value is far above the alpha significance limit of 5% (0.05), it can be concluded that the hedging policy does not have a significant influence on the value of companies in the transportation, logistics, and energy



sectors on the IDX during the 2022–2024 period. Furthermore, the direction of this negative coefficient is contrary to the initial prediction of the hypothesis (+), so the second hypothesis (H2) that states that hedging has a significant positive effect is officially rejected. The results of this study that show this negative and insignificant direction are very interesting because they contradict conventional financial theory that hedging is supposed to increase the value of a company by minimizing market risk. This insignificance provides a strong indication that the Indonesian capital market views hedging activities carried out by issuers in the energy, logistics, and transportation sectors during the 2022–2024 period not as productive value protection measures, but as activities that do not provide comparative added value for public shareholders.

The main factor that causes the hedging policy to have a negative and insignificant coefficient is closely related to global macroeconomic conditions in that period. Between 2022 and 2024, the world's financial markets will experience high volatility due to aggressive tightening of global monetary policy, including the interest rate hike by the United States Central Bank (The Fed). In conditions of extreme exchange rate movement uncertainty like this, the cost of premiums for buying derivative instruments (such as currency forwards, options, or swaps) jumps dramatically. The high cost of these hedging transactions ultimately puts a strain on the company's profit and loss and reduces the net cash flow available to investors.

Investors in the capital market see the expense of expensive hedging premiums as a waste of operational funds, especially if in the end real exchange rate movements in the market are not as bad as predicted. When the rupiah currency turns out to be relatively stable or strengthens beyond the prediction of the hedging contract, companies that have locked the exchange rate at a certain price will suffer exchange rate losses due to the derivative contract (hedging loss). The phenomenon of losses due to mispredictions is often recorded in the issuer's financial statements, which are then responded negatively by the market, thereby reducing the company's value.

In addition to the cost factor, hedging's failure to increase the value of a company is due to the limitations of managerial competence in managing complex derivatives instruments. Indonesia's transportation, logistics, and energy sectors have historically been real sectors that focus on the management of physical assets (such as ships, trucks, refineries, and mines), rather than financial institutions that are adept at trading derivatives instruments. When management hedging without the support of an in-depth financial risk analysis, the activity is prone to shift from the initial purpose of hedging to the act of market speculation. The capital market captures this competency uncertainty as an additional risk, not a reduction in risk.

The operational characteristics of the 47 sample companies also influenced this result. Many international energy and logistics companies in Indonesia actually have natural hedging mechanisms. For example, coal mining companies or international tanker charter providers receive revenue in U.S. dollars (USD) and some of their operating costs are also in USD. Due to the natural synchronization between the income and expense currencies, the actual exchange rate risk is already mitigated automatically. When management forces itself to purchase additional derivative hedging instruments outside of natural hedging, the action is considered over-hedging and inefficient by investors.

Based on these empirical findings, **corporate policies that must be changed** are governance and strategies for selecting hedging instruments. Company management in the transportation, logistics, and energy sectors must change the hedging approach from rigid and comprehensive (full hedging) to selective hedging. Companies should re-evaluate the thresholds of foreign exchange exposure that actually require derivatives protection. The organizational structure of the risk management committee should be changed to be filled by personnel with quantitative expertise in the field of derivatives markets, in order to ensure that the contracts taken have a rational and mathematically efficient premium cost.

On the other hand, the policy that must be maintained by companies is the implementation of mandatory hedging to comply with Bank Indonesia regulations, especially for companies that have exposure to foreign exchange debt. Compliance with Bank Indonesia's rules must be maintained in order to maintain internal liquidity stability and avoid the risk of default at maturity. Although the stock market does not appreciate this policy in the form of an immediate increase in stock prices, the existence of hedging in the right portion is vital to maintain the creditworthiness of the company in the eyes of banks and debt rating agencies.

Companies must also maintain the use of natural hedging through a restructuring of their business contract structures. Logistics and transportation companies can maintain or extend a fuel surcharge or currency adjustment clause in long-term contracts with their clients. The policy of retaining this clause has proven to be much more effective and inexpensive in mitigating the risk of fluctuations in fuel prices and foreign exchange rates compared to buying expensive and complicated banking derivatives products, the contribution of which is not recognized by capital market investors.

## CONCLUSIONS

Based on the data analysis and discussion that has been described in the previous chapter regarding the influence of *Environmental Disclosure* and *Hedging Policy* on *Firm Value* in companies in the transportation, logistics, and energy sectors listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period, the following empirical conclusions can be drawn:

1. *Environmental Disclosure* does not have a significant influence on *Firm Value*. The results of the partial test showed a probability value of 0.2730 ( $> 0.05$ ). This indicates that the quantity and quality of transparency of green information presented by corporations in sustainability reports has not been the main instrument considered or responded to by capital market investors in conducting stock valuations in this capital-intensive sector.
2. *Hedging Policy* does not have a significant effect on *Firm Value* with a negative coefficient. The results of the partial test showed a probability value of 0.41395 ( $> 0.05$ ) and a coefficient of -0.149486. This finding proves that the activity of utilizing derivative instruments to mitigate market risks does not provide added value in the eyes of investors, but is considered as a premium expense burden that has the potential to reduce the company's net profitability.
3. Simultaneously (together), this research model is proven to be fit and feasible (*goodness of fit*). The *Prob value (F-statistic)* is 0.000000 ( $< 0.05$ ) with a fairly strong clear power contribution (*R-Squared*) of 63.62%. This means that, although partially insignificant, the integration between the dimensions of non-financial risk management (environment) and financial risk (*hedging*) is a valid model combination in explaining the variation in the rise



and fall of company values on the stock exchange.

### Research Implications

Theoretically, the results of this study make a significant academic contribution to the development of the financial management literature and sustainability accounting, especially in the context of emerging capital markets. Findings that show that environmental disclosure and hedging policies have no effect on company value indicate strong contextual limitations of *Signaling Theory* and *Stakeholder Theory*. In the real sector which is capital-intensive and very sensitive to commodity prices such as transportation, logistics, and energy, non-financial signals in the form of green activities and financial protection signals through derivative instruments have experienced asymmetry in interpretation by market participants. Investors on the Indonesia Stock Exchange (IDX) in the 2022–2024 period are proven to still practice pragmatic-traditional behavior that places absolute financial performance indicators such as net profit above issues of risk governance and environmental sustainability.

Meanwhile, the practical implications of this research are aimed directly at corporate management in the three sectors in formulating their strategic policies. Management must realize that a symbolic *greenwashing* strategy to abort OJK regulatory obligations, or the adoption of an overly aggressive derivatives *hedging* policy, will not be responded positively by the market if it actually undermines the company's profitability. Companies are required to change their risk management paradigm by integrating environmental costs and hedging premium costs into the calculation of real operational cost efficiency. Thus, the main practical implications of this study confirm that issuers are obliged to maintain compliance with formal regulations from the OJK and Bank Indonesia in order to maintain internal stability, but must change their execution governance so that every cost incurred can be converted into a competitive advantage that has an impact on increasing net profit which is the main focus of investors.

### Suggestion

Based on the conclusions and limitations found throughout the research process, several strategic suggestions were proposed that are expected to be considered by various related parties. For company management in the transportation, logistics, and energy sectors, it is recommended to change the approach in compiling environmental disclosures from a normative narrative-qualitative to a reporting format based on *financial materiality*. Management must be able to present quantitative data that proves that investments in energy efficiency or emission reductions can significantly cut the company's long-term operating costs. In addition, regarding financial risk management, management is advised to optimize the natural *hedging* mechanism and insert a *currency adjustment clause* in long-term business contracts with clients, in order to reduce dependence on banking derivative instruments that cost very high premiums in the current era of macroeconomic volatility.

The next suggestion is addressed to the Financial Services Authority (OJK) as the capital market regulator in Indonesia to continue to improve and standardize the sustainable financial reporting guidelines regulated in POJK Number 51/POJK.03/2017. Existing regulations need to be changed towards more measurable assessment criteria and have high appealability, so that non-financial information presented by issuers has information content that is easier to absorb and analyze for its significance by retail and institutional investors in determining their

investment decisions. Finally, for future researchers who are interested in studying similar topics, it is recommended to add moderation variables that are estimated to be able to bridge the relationship between variables, such as profitability variables or firm size. Future researchers are also advised to expand the scope of the sample to sectors that are not purely commodity-based and extend the range of observation years in order to capture the dynamics of Indonesia's capital market behavior more comprehensively and in depth.

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