International Journal of Economic Literature (INJOLE) e-ISSN: 3026-0221
Vol. 3 No. 3 December 2025, page., 487-500

# THE EFFECT OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DISCLOSURE ON FIRM VALUE WITH COMPETITIVE ADVANTAGE AS A MEDIATING VARIABLE

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***Abstract***

*This study is motivated by the increasing attention to ESG disclosure in the energy sector of the Indonesia Stock Exchange (IDX) and the ongoing debate regarding whether such practices enhance firm value through competitive advantage. The purpose of this research is to examine the effect of ESG disclosure on firm value with competitive advantage as a mediating variable. Grounded in signaling theory, ESG disclosure is positioned as a credible signal of managerial quality, accountability, and corporate commitment that reduces information asymmetry, lowers risk, and creates opportunities for cost and differentiation advantages valued by the market. A quantitative approach was applied to 203 observations of energy issuers during 2021–2023 using purposive sampling. Firm value was proxied using Tobin's Q, competitive advantage was measured through EV/IC, and ESG disclosure was constructed using GRI 400, GRI 300, and GRI 2 indicators. Mediation analysis was performed using the Baron and Kenny regression method in SPSS. The findings show that ESG disclosure has a positive effect on firm value. Environmental disclosure positively affects competitive advantage, whereas social and governance disclosures do not. Competitive advantage positively influences firm value and partially mediates the effect of environmental disclosure on firm value, but does not mediate social or governance disclosure. The results confirm that material and operationally linked ESG disclosure is more effective in enhancing valuation than disclosure conducted merely for formal compliance.*
***Keywords:*** *ESG Disclosure, Competitive Advantage, Firm Value.*

## INTRODUCTION

The long-term survival of a company requires sufficient funding to sustain operations, obtained from internal capital and investor financing. In conducting business activities, companies continually strive to increase profits and, in the long run, to maximize shareholder wealth. Enhancing shareholder wealth consequently increases firm value. Firm value reflects a company's capability to conduct its operations, shaping stakeholder perceptions regarding its performance, which are then quantified into an economic measure (Christy & Sofie, 2023).

Firm value serves as an important benchmark for evaluating managerial success, strengthening shareholder confidence, and fulfilling shareholder welfare, which collectively reflect a high firm value (Kesumastuti & Dewi, 2021). Companies must therefore manage various factors influencing market perceptions. One effective strategy is to improve performance by considering non-financial aspects, such as reputation and social responsibility. Transparent and accurate disclosure can help build stakeholder trust, and Environmental, Social, and Governance (ESG) disclosure has emerged as an important non-financial determinant of firm value.

Changes in stakeholder expectations have encouraged companies to look beyond financial performance. Awareness of natural resource limitations and societal demands has pushed public companies to integrate ESG aspects into corporate strategy. ESG disclosure allows stakeholders to assess how well a company manages non-financial risks and mitigates negative operational impacts. The 2023 Global Reporting Initiative (GRI) report indicates that more than 80% of listed companies now routinely publish sustainability reports, demonstrating that ESG disclosure is not merely a trend but a strategic necessity to maintain credibility in the eyes of investors, regulators, and society.

ESG disclosure increases awareness of sustainability issues among investors and consumers. Many investors now consider ESG factors in decision-making, believing that socially and environmentally responsible companies face lower risks and offer higher potential returns. Firms with stronger ESG ratings often exhibit higher firm value, as ESG indices enable investors to encourage increased transparency and disclosure (Aboud & Diab, 2018). Such practices contribute to better reputation and customer loyalty, making ESG disclosure a key factor in enhancing corporate competitiveness.

Effective ESG disclosure requires companies to develop clear policies and practices regarding environmental, social, and governance issues. Companies must gather relevant data and produce informative and transparent reports while engaging stakeholders to ensure that disclosed information aligns with their expectations. With the increasing global trend in sustainable investment, investors now prefer companies implementing ESG principles as a primary consideration in their investment decisions. ESG disclosure is therefore essential for companies seeking to maintain a positive reputation (Safriani & Utomo, 2020).

Competitive advantage is a multidimensional concept encompassing strategic tools such as quality, speed, innovation, leadership, and various other industry-relevant factors (El-Garaihy et al., 2014). Competitive advantage may be gained through product innovation, operational efficiency, or brand differentiation. In today's increasingly competitive environment, sustaining competitive advantage is crucial for achieving long-term growth and profitability. Companies that successfully build and maintain competitive advantage are better able to attract customers, increase market share, and ultimately enhance firm value.

Companies with competitive advantage can offer superior products or services compared to competitors, thus attracting more customers. According to signaling theory, a high level of competitive advantage provides a signal of the company's current condition and future growth potential (Wijayanto et al., 2019). Competitive advantage can therefore be used to predict the increase in firm value based on future profits and operations.

Companies that actively disclose strong ESG practices can enhance their reputation and market trust, attracting more customers and investors. A strong reputation supported by transparent ESG disclosure generates both social and economic value. Competitive advantage helps companies manage ESG-related risks and improves operational efficiency. Sustainable practices can reduce costs and improve long-term profitability, while building strong relationships with customers and stakeholders is essential for creating competitive advantage (Bennett & Smith, 2013).

Research on the impact of ESG disclosure on firm value has been conducted by Rohendi et al. (2024). Studies by Choi et al. (2023) and Cai et al. (2024) report significant positive effects, highlighting the strong relationship between ESG disclosure and firm value. Conversely, studies by Dorothy & Endri (2024), Lestari & Hasanah (2024), and Wahyuni et al. (2024) find no significant relationship. These inconsistencies present a research opportunity, particularly in the Indonesian energy sector. Rohendi et al. (2024) found that effective ESG disclosure creates competitive advantage, increases firm value, and strengthens market positioning. Similarly, Utami et al. (2025) found that competitive advantage amplifies the effect of ESG performance on firm value, enabling companies to translate environmental improvements into higher valuation.

This study focuses on the energy sector of the IDX due to its strategic role in national electricity and fuel supply and its significant contribution to economic growth. The number of listed energy companies continues to increase yearly, reflecting expansion and diversification in Indonesia's energy portfolio. Energy exploration and production activities generate negative impacts such as increased greenhouse gas emissions, air pollution, and health risks to surrounding communities. Nevertheless, the energy sector remains a major foreign exchange contributor through oil, gas, and coal exports, and a key source of government revenue through taxes and royalties.

Given these phenomena and the mixed findings of previous studies, this research aims to examine the extent to which ESG disclosure enhances corporate reputation and operational efficiency through environmentally friendly practices, social responsibility, and good governance. These practices enable companies to attract customers, partners, and investors while reducing production costs and business risks. Competitive advantage is formed through product differentiation, cost efficiency, and strong stakeholder relationships, which drive revenue growth and lower capital costs. Competitive advantage thus acts as a key mechanism linking ESG disclosure to increased firm value. These conditions form the foundation for investigating the effect of ESG disclosure on firm value with competitive advantage as a mediating variable.

## RESEARCH METHOD

This study applies a quantitative approach with an associative design to examine the relationship between ESG disclosure, competitive advantage, and firm value. The research sample consists of 75 energy sector companies listed on the Indonesia Stock Exchange (IDX) during 2021–2023, selected through purposive sampling based on the completeness of annual and sustainability reports. The data are entirely secondary, collected from annual reports, sustainability reports, and official information available on the IDX website.

The research variables consist of firm value (Tobin's Q), ESG disclosure (ENV, SOC, GOV using GRI 300, GRI 400, and GRI 2), and competitive advantage (EV/IC) as the mediating variable (Sugiyono, 2023; Chung & Pruitt, 1984; GRI Standards, 2021). The data analysis techniques include descriptive statistics to describe variable characteristics, followed by classical assumption tests such as normality (K-S), multicollinearity (VIF and tolerance), heteroscedasticity (Glejser), and autocorrelation (Durbin–Watson).

To test the mediating role of competitive advantage, this study uses the Baron and Kenny (1986) mediation method with three regression models evaluating both direct and indirect effects. Mediation is confirmed when ESG affects competitive advantage (CA), CA affects firm value (FV), and the direct effect of ESG on FV decreases after the mediating variable is included (Baron & Kenny, 1986; Urbanek, 2024).

Subsequent testing includes the coefficient of determination ($R^2$) to assess the contribution of the independent variables, the F-test to evaluate overall model feasibility, and the t-test to assess the partial effects of each independent variable at a 5% significance level. Variables with a significance value below 0.05 are considered to have a significant effect. All analyses were conducted using statistical software to determine the extent to which ESG disclosure and competitive advantage contribute to increasing firm value in Indonesia's energy sector (Sugiyono, 2023; Gujarati & Porter, 2009).

## RESULTS AND DISCUSSION

### Scope of Research Area

**Table 1.** Research Sample Determination Process

| No. | Sample Determination Criteria | Amount |
|---|---|---|
| 1 | Energy Companies listed on the IDX during the 2021-2023 period | 83 |
| 2 | Companies that did not publish a complete annual report and sustainability report during the 2021-2023 period | (8) |
| **Number of samples** | | **75** |
| **Number of observations (multiplied by 3 years of observation)** | | **225** |
| Number of observations that experience outliers | | (22) |
| **Final observation count** | | **203** |

Source:www.idx.co.id(processed data, 2025)

During the data processing stage, a number of extreme values were found, so outliers were handled first before testing the classical assumptions. Outliers are data with unique characteristics that differ significantly from observations and appear in the form of extreme values for either a single data variable or a combination.(Ghozali, 2018:40). Handling the outlier data resulted in a reduction of 22 observations, resulting in a total sample of 203 samples.

### Description of Data Related to Research Variables

Statistical analysis shows that the firm value (Tobin's Q) for 203 energy sector samples ranges from 0.16 to 3.41, with an average of 1.339, reflecting moderate valuation variation across issuers. Environmental, social, and governance disclosure levels (GRI 300, GRI 400, and GRI 2) averaged 0.506, 0.607, and 0.786, respectively, indicating that ESG practices vary from highly unequal in environmental aspects to relatively uniform in governance aspects. The competitive advantage (CA) variable exhibits a very wide range of values (-1.82 to 5.82) with an average of 0.550, indicating significant disparities in companies' ability to create economic value beyond their invested capital. Overall, these results illustrate that energy sector issuers exhibit high heterogeneity in market valuation, ESG disclosure quality, and competitive advantage throughout the 2021–2023 period.

### Descriptive Statistical Test Results

**Table 2.** Descriptive Statistical Test Results

| | N | Minimum | Maximum | Average | Standard Deviation |
|---|---|---|---|---|---|
| Company Values | 203 | 0.16 | 3.41 | 1,339 | 0.7112 |
| Environmental Disclosure | 203 | 0.02 | 1.00 | 0.506 | 0.3095 |
| Social Disclosure | 203 | 0.06 | 1.00 | 0.670 | 0.2859 |
| Governance Disclosure | 203 | 0.03 | 1.00 | 0.786 | 0.2345 |
| Competitive Advantage | 203 | -1.82 | 5.82 | 0.550 | 1,1093 |

| | |
|---|---|
| Valid N (listwise) | 203 |

Source: Processed by the author

**Classical Assumption Test Results**

1) Normality Test

**Table 3.** Normality Test Results

| | Unstandardized Residual |
|---|---|
| N | 203 |
| Asymp. Sig. (2-tailed) | 0.200 |

Source: Processed by the author

Based on Table 3, the results of the normality test show that the Asymp. Sig. (2-tailed) value is 0.200. This value is greater than 0.05 (0.200>0.05), so it can be concluded that the regression model in this study is normally distributed.

2) Multicollinearity Test

**Table** Error! No text of specified style in document.. **Multicollinearity Test Results**

| Variables | Collinearity Statistics | |
|---|---|---|
| | Tolerance | VIF |
| Environmental Disclosure | 0.802 | 1,246 |
| Social Disclosure | 0.846 | 1,182 |
| Governance Disclosure | 0.989 | 1,011 |
| Competitive Advantage | 0.930 | 1,075 |

Source: Processed by the author

Based on table 4, the tolerance value of environmental disclosure (X1) is 0.802, social disclosure (X2) is 0.846, governance disclosure (X3) is 0.989, and competitive advantage (M) is 0.930. The VIF value of environmental disclosure (X1) is 1.246, social disclosure (X2) is 1.182, governance disclosure (X3) is 1.011, and competitive advantage (M) is 1.075. For all variables, the tolerance value is greater than 0.10 and the VIF is less than 10. Therefore, there is no multicollinearity symptom in the regression model.

3) Heteroscedasticity Test

**Table 4.** Heteroscedasticity Test Results

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | sig |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| Environmental Disclosure | 0.035 | 0.035 | 0.104 | 1,001 | 0.318 |
| Social Disclosure | -0.056 | 0.042 | -0.136 | -1,328 | 0.186 |
| Governance Disclosure | -0.011 | 0.065 | -0.013 | -0.175 | 0.861 |
| Competitive Advantage | 0.002 | 0.004 | 0.038 | 0.517 | 0.606 |

Source: Processed by the author

Based on the analysis results in Table 5, the significance value obtained for environmental disclosure (X1) is 0.318, social disclosure (X2) is 0.186, governance disclosure (X3) is 0.861, and competitive advantage (M) is 0.606. In the regression model, the significance value is greater than 0.05. From this test, it can be concluded that the regression model is free from heteroscedasticity symptoms.

4) Autocorrelation Test

**Table 5**. Autocorrelation Test Results

| Model Summary | |
|---|---|
| Model | Durbin-Watson |
| 1 | 1,886 |

Source: Processed by the author

Based on table 6, it can be seen that the Durbin-Watson (dW) value is 1.886. The dU value with k-4 and N = 203 is 1.8030 and the 4-dU value is 2.1970. The dU<dW<4-dU value is 1.8030<1.886<2.1970, so it can be concluded that there is no autocorrelation in the regression model.

**Mediation Test Results with Baron and Kenny Model**

**Table 6**. Results of the Baron and Kenny Mediation Test Model a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | sig |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| Environmental Disclosure | 0.877 | 0.266 | 0.245 | 3,293 | 0.001 |
| Social Disclosure | 0.174 | 0.288 | 0.045 | 0.603 | 0.547 |
| Governance Disclosure | -0.033 | 0.325 | -0.007 | -0.101 | 0.920 |

a: Dependent Variable: Competitive Advantage

Source: Processed by the author

Model a: $CA= \beta 0_{\alpha}+\beta_{1\alpha}ED+\beta_{2\alpha}SD+\beta_{3\alpha}GD+e_{\alpha}$……………………………………………(1)

In model a (the influence of environmental disclosure, social disclosure, and governance disclosure on competitive advantage), only environmental disclosure (X1) is proven to have a significant positive effect on competitive advantage (M). Unstandardized coefficients X1 = 0.877 with Std. Error = 0.266 produces t = 3.293 and sig. = 0.001, so the effect is positive and significant at α = 5%. Based on the standardized results, Beta = 0.245 means that an increase in environmental disclosure is related to an increase in competitive advantage, this indicates a small to medium effect size. The results of social disclosure (X2) are not significant at 0.547 and governance disclosure (X3) is also not significant at 0.920, thus, Baron and Kenny's prerequisites for model a, are only met at X1 while X2 and X3 do not meet model a.

**Table 7**. Results of the Baron and Kenny Mediation Test Model c

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | sig |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| Environmental Disclosure | 0.509 | 0.159 | 0.222 | 3,202 | 0.002 |
| Social Disclosure | 0.601 | 0.172 | 0.242 | 3,497 | 0.001 |

| | | | | | |
|---|---|---|---|---|---|
| Governance Disclosure | 0.533 | 0.194 | 0.176 | 2,745 | 0.007 |
| a: Dependent Variable: | | | | Company Values | |

Source: Processed by the author

Model c: $FV= \beta 0_c+ \beta_{1c}ED+\beta_{2c}SD+\beta_{3c}GD+e_c$…..…………....……..…………….....(2)

In model c (the influence of environmental disclosure, social disclosure, and governance disclosure on company value), all three are proven to have a positive and significant effect. Environmental disclosure (X1) has a coefficient of B = 0.509; Std. Error = 0.159; t = 3.202; sig. = 0.002; Beta = 0.222. Social disclosure (X2) shows the strongest influence among the three with B = 0.601; Std. Error = 0.172; t = 3.497; sig. = 0.001; β = 0.242. Governance disclosure (X3) is also significant with B = 0.533; Std. Error = 0.194; t = 2.745; sig. = 0.007; β = 0.176. Baron and Kenny's prerequisites for model c are met for X1, X2, and X3, so that all of them are worthy of continuing to mediation testing on models b and c'.

**Table 8**. Results of Baron and Kenny Mediation Test Model b and c'

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | sig |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| Environmental Disclosure | 0.346 | 0.155 | 0.150 | 2,222 | 0.027 |
| Social Disclosure | 0.569 | 0.164 | 0.229 | 3,471 | 0.001 |
| Governance Disclosure | 0.539 | 0.185 | 0.178 | 2,916 | 0.004 |
| Competitive Advantage | 0.187 | 0.040 | 0.291 | 4,628 | 0,000 |

a: Dependent Variable: Company Value

Source: Processed by the author

Model b and c': $FV= \beta 0_b+\beta_{1b}ED+\beta_{2b}SD+\beta_{3b}GD+\beta_4CA+e_b$.…..……….………..……(3)

Competitive advantage (M) has a positive and significant effect on firm value (Y) with B = 0.187; Std. Error = 0.040; t = 4.628; sig. = 0.000, Beta = 0.291. After M is entered, the effect of X1 on Y decreases from Beta 0.222 to 0.150 and is significant at 0.027. In model a, X1 to M is significant, this pattern supports the type of partial mediation for the relationship between environmental disclosure and the effect of X1 on Y.on firm value with competitive advantage mediation. In X2, the coefficient decreases from Beta 0.242 in model c to 0.229 in model c' and is significant at 0.001. In model a, X2 is not significant, so according to Baron and Kenny's criteria, there is no mediation in the relationship between social disclosure (X2). In X3, the coefficient even increases from Beta 0.176 in model c to 0.178 in model c' and is significant at 0.004. In model a, X3 is not significant, so according to Baron and Kenny's criteria, there is no mediation in governance disclosure (X3).

In this model, the competitive advantage mediation test is significant at 0.000, thus meeting model b. Only environmental disclosure exhibits a partial mediation pattern, as the direct coefficient of environmental disclosure on firm value decreases, but remains significant after the mediator is included.Social disclosure(X2) andgovernance disclosure(X3) is not mediated because it does not meet the mediation prerequisites of model a in the Baron and Kenny criteria.

**Results of the Coefficient of Determination (R2) Test**

**Table9**. Results of the Determination Coefficient Test (R2)

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Standard Error of the Estimate |
| 1 | 0.522a | 0.273 | 0.258 | 0.61264113 |

Source: Processed by the author

Based on table 10, it shows that the Adjusted R Square value of 0.258 means that approximately 25.8% of the variation in the dependent variable, namely company value (Y) can be explained by the independent variables, namely, environmental disclosure (X1), social disclosure (X2), governance disclosure (X3), and competitive advantage (M), while the remaining 74.2% is explained by other factors outside the model that are not included in this study.

**Model Feasibility Test (F Test)**

**Table10**. Model Feasibility Test Results (F Test)

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Square | df | Mean Square | F | Sig. |
| 1 | Regression | 27,847 | 4 | 6,962 | 18,548 | 0.000 b |
| | Residual | 74,315 | 198 | 0.375 | | |
| | Total | 102,162 | 202 | | | |

Source: Processed by the author

Based on Table 11, the regression equation has a significance value of 0.000, which is less than 0.05. This indicates that the regression model is suitable for explaining variation in firm value; therefore, the produced regression model is appropriate for explaining the relationships between the independent and dependent variables.

**Hypothesis Test (t-Test)**

The t-test is used to examine whether each independent variable has a partial effect on the dependent variable while assuming other variables remain constant. If an independent variable's significance level is less than 0.05, the variable is considered to have a significant effect on the dependent variable. The t-test results can be seen in Tables 7, 8, and 9.

1. **Effect of Environmental Disclosure on Firm Value**

   The test results in Table 7 show that the environmental disclosure variable has a significance level of 0.002 (< 0.05) and a positive regression coefficient of 0.509. Based on these results, environmental disclosure has a positive effect on firm value. This indicates that higher levels of environmental disclosure are associated with higher firm value. Therefore, the first hypothesis is accepted.

2. **Effect of Social Disclosure on Firm Value**

   The results in Table 7 indicate that social disclosure has a significance level of 0.001 (< 0.05) and a positive regression coefficient of 0.601. Accordingly, social disclosure positively affects firm value, meaning that greater social disclosure is associated with higher firm value. Thus, the second hypothesis is accepted.

3. **Effect of Governance Disclosure on Firm Value**

Table 7 shows that governance disclosure has a significance level of 0.007 (< 0.05) and a positive regression coefficient of 0.533. Hence, governance disclosure positively affects firm value: the higher the governance disclosure, the higher the firm value. Therefore, the third hypothesis is accepted.

4. **Effect of Environmental Disclosure on Competitive Advantage**

Table 8 indicates that environmental disclosure has a significance level of 0.001 (< 0.05) and a positive regression coefficient of 0.877. Thus, environmental disclosure positively affects competitive advantage: higher environmental disclosure is associated with greater competitive advantage. The fourth hypothesis is accepted.

5. **Effect of Social Disclosure on Competitive Advantage**

Table 8 shows that social disclosure has a significance level of 0.547 (> 0.05) and a positive regression coefficient of 0.174. Based on these results, social disclosure does not have a statistically significant effect on competitive advantage.

6. **Effect of Governance Disclosure on Competitive Advantage**

Table 8 shows that governance disclosure has a significance level of 0.920 (> 0.05) and a negative regression coefficient of –0.033. Therefore, governance disclosure does not have a significant effect on competitive advantage.

7. **Effect of Competitive Advantage on Firm Value**

Table 9 indicates that competitive advantage has a significance level of 0.000 (< 0.05) and a positive regression coefficient of 0.187. Accordingly, competitive advantage positively affects firm value: higher competitive advantage is associated with higher firm value. Thus, the seventh hypothesis is accepted.

8. **Effect of Environmental Disclosure on Firm Value with Competitive Advantage as Mediator**

Environmental disclosure is shown to increase firm value both directly and indirectly through competitive advantage. In Table 8, environmental disclosure significantly affects competitive advantage (p = 0.001), and in Table 9, competitive advantage significantly affects firm value (p = 0.000) after controlling for all independent variables. When the mediator is included, the direct effect of environmental disclosure on firm value remains significant (p = 0.027). This pattern indicates partial mediation: environmental disclosure enhances competitive advantage, which in turn raises firm value. Substantively, higher environmental disclosure strengthens a firm's competitive advantage and, consequently, its market value.

9. **Effect of Social Disclosure on Firm Value with Competitive Advantage as Mediator**

Table 8 shows that social disclosure is not significant for competitive advantage (p = 0.547), while competitive advantage significantly affects firm value (p = 0.000). In the model including the mediator (model c′), the direct effect of social disclosure on firm value remains significant (p = 0.001). According to Baron and Kenny's criteria, mediation does not occur because the initial condition (model a) is not met. Thus, the effect of social disclosure on firm value is a direct effect only; competitive advantage does not mediate this relationship.

10. **Effect of Governance Disclosure on Firm Value with Competitive Advantage as Mediator**

Table 8 shows that governance disclosure does not significantly affect competitive advantage (p = 0.920), whereas competitive advantage significantly influences firm value (p = 0.000). When the mediator is added, the direct effect of governance disclosure on firm value remains positive and significant (p = 0.004). Because model a is not satisfied, competitive advantage does not mediate the effect of governance disclosure on firm value. In other words, increases in governance disclosure tend to raise firm value directly rather than through enhanced competitive advantage.

## Discussion

Environmental disclosure has a positive and significant effect on firm value ($p = 0.002$, $\beta = 0.509$), supported by the environmental GRI index (average 0.506) which shows variations in disclosure between issuers. Social disclosure also has a significant positive effect on firm value ($p = 0.001$, $\beta = 0.601$), with the social GRI index indicating a medium–high level of disclosure (average 0.670). Governance disclosure is proven to have a significant positive effect on firm value ($p = 0.007$, $\beta = 0.533$), where governance disclosure is relatively uniformly high (average 0.786). Competitive advantage directly increases firm value ($p = 0.000$, $\beta = 0.187$), reflecting that the difference between market value and capital (CA, average 0.550) is a material economic signal. Environmental disclosure also has a strong influence on competitive advantage ($p = 0.001$, $\beta = 0.877$), and when the mediator is entered the direct influence of environmental disclosure on the value decreases from $c = 0.222$ to $c' = 0.150$ but remains significant ($p = 0.027$), thus partial mediation occurs. In contrast, social disclosure does not have a significant effect on competitive advantage ($p = 0.547, \beta = 0.174$) and governance disclosure also does not affect competitive advantage ($p = 0.920, \beta = -0.033$), so competitive advantage does not mediate the effect of social or governance disclosure on firm value. Substantially, the findings support the signaling theory framework: environmental, social, and governance disclosures provide signals that are directly valued by the market, but only environmental disclosures have some of their effects channeled through increased competitive advantage. The practical implication is that environmental transparency efforts tend to strengthen competitive capabilities that are valued by the market, while social and governance disclosures in the sample serve more as reputational signals than as sources of operational excellence during the observation period.

## CONCLUSION

A study of companies in the energy sector of the Indonesian Stock Exchange (IDX) for the 2021–2023 period, with 203 observations, concluded that environmental disclosure, social disclosure, and governance disclosure have a positive effect on company value. The capital market gives higher valuations to issuers with strong ESG because these signals reduce information asymmetry and risk perception. Competitive advantage also has a positive effect on company value because cost efficiency and differentiation strengthen cash flow prospects. Environmental disclosure has a positive effect on competitive advantage because environmental indicators are directly related to energy savings, emissions management, and resource efficiency. Meanwhile, social disclosure and governance disclosure have no effect on competitive advantage. The coefficient pattern indicates partial mediation because environmental disclosure still has a direct effect on company value after including competitive advantage. Meanwhile, the results of the mediation test model a for social disclosure and governance disclosure were not met, so mediation did not occur in both pathways. These findings confirm that the most material and verified ESG signals in operations, especially the environment, are more easily translated by the market into competitive advantage and increased company value. While signals that are still procedural in nature require strengthening evidence of results to form a path to competitive advantage in the next period.

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