MEDIATION ROLE OF ENVIRONMENTAL DISCLOSURE IN THE RELATIONSHIP OF FIRM PERFORMANCE AND VALUE

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Abstract
This study was conducted to examine the effect of environmental disclosure in mediating financial performance and environmental performance on firm value. The research plan will be completed on primary and secondary industries listed on the Indonesia Stock Exchange (IDX) using data from the last 5 (five) years. The analysis results show that environmental performance and financial performance have a significant effect on firm value, the environmental performance has a significant effect on environmental disclosure. Meanwhile, environmental exposure and environmental performance have no significant impact on firm value. Environmental performance and financial performance do not mediate environmental exposure through firm value. This statement shows that good economic performance does not encourage companies to make good environmental disclosures because the company's primary focus is financial performance. In addition, environmental disclosure is still voluntary, so there is no obligation for companies to make extensive disclosures regarding their environmental performance. The research results are expected to be an additional reference for academics and researchers regarding the importance of environmental disclosure by companies to improve company performance and value, as well as a further concern for capital market supervisors and regulators regarding company management.

Key words: *Company value; financial performance; environmental performance; environmental disclosure*

JEL Classification: *Q56*

I. INTRODUCTION

Company value has a vital role in describing the success of management in managing its organization because company value reflects how company management can provide welfare for shareholders and other stakeholders (Hamman, Loewenstein & Web, 2010). Company value describes the company's ability to provide returns as expected by all company stakeholders such as shareholders, creditors, management, employees, and the government (Wang, Zhang, Chen, Weng, Xia, Ye, Li, Liao, Chen, Alsamman, Meng, Stevens, Hupp & Lin, 2019).

This study raises two critical issues related to corporate value and environmental disclosure. The first is the problem that arose and was raised in a documentary film entitled "Sexy Killer" by the Blue Indonesia Expeditionary Team produced by Watchdoc Image (2019). The release of the documentary greatly affected the value of coal mining companies. PT. TOBA, one of the coal mining companies listed on the Indonesia Stock Exchange (IDX) and is a company owned by an official in the central government, has experienced a decline in stock prices since we can easily access this film on youtube channel. After publication, based on IDX data, the value of this company's shares dropped from Rp. 1,600 on April 10, 2019, to Rp. 1,525 on April 12, 2019 (Indonesia Stock Exchange, 2020).

Another issue that is getting more attention is the issue of Global Warming or global warming. Forest fires sometimes occur not only because of the effects of global warming. It is not uncommon for companies to expand or expand their business to burn land irresponsibly and not follow laws and regulations (41 of 1999 on Forestry, Law number 32 of 2009 on Guidelines and Environmental Management, and Law No. - Law number 18 of 2004 concerning Plantations). For example, the smog disaster that occurs every year in Indonesia is due to forest and land fires. In the 2019 forest and land fires, the Forum for the Environment asked the government to announce as many as 42 companies involved in forest and land fires. Still, the government represented by the Ministry of Environment and Forestry was reluctant to publish them because public information disclosure was hampered (Wahana Lingkungan Hidup Indonesia, 2021; Febrianto, 2021; Novianto & Khairunnisa, 2019).

As one of the demands of the stakeholders, the company must make environmental disclosures to provide complete and widespread information. Environmental disclosures are voluntary disclosures that companies can report in annual reports or separate sustainability reports. Iatridis (2013) and Lorraine, Collison & Power (2004) found that environmental disclosure directly affects the firm's market value. However, the larger the company, the better the disclosure will tend to be, in line with Cho & Patten (2007), who concluded that the larger a company is, the more likely it is to make comprehensive disclosures.

The performance affected by this disclosure consists of financial performance and non-financial performance. Currently, financial performance (profit) is not the only thing shareholders consider (single bottom line). Still, social and environmental performance (profit, people, planet) is also a consideration for shareholders in investing (triple bottom line). Improved financial performance, such as maximizing profit, can increase firm value in the short term. Financial performance is one of the tools used by investors to assess the company's finances, especially companies that go public (Angelia & Suryaningsih, 2015). The financial performance reflected in the company's profit is an initial concern in assessing whether a company has been managed well by management or not. Setiawanta, Purwanto and Hakim's reasecrh (2019) states that financial performance affects firm value.

Furthermore, environmental performance is also the focus of investors in determining whether to invest in a company or not. Angelia & Suryaningsih (2015) explain that environmental performance is the work that companies do to create an excellent green company. Law number 40 of 2007 concerning Limited Liability Companies has clearly stated that companies whose business activities are related to natural resources are obliged to carry out social and environmental responsibilities, and there are sanctions for companies that do not implement them. Suppose a company pays attention to the environment and surrounding communities. In that case, the company's image will be good, thus providing a positive value for the company, such as increased investment and increased company profits.

The Corporate Social Responsibility (CSR) program is not only carried out because of regulations and pressure from the government, but CSR can also function as a puller that affects investor perceptions, thus providing benefits for the company and later reflected in the value of the company. Ghoul, Guedhami, Kwok & Mishra (2011) stated that one of the advantages for companies that carry out social and environmental responsibilities is a decrease in the cost of capital. Sarumpaet, Nelwan & Dewi (2017) and Al-Tuwaijri, Christensen & Hughes (2005) find that superior environmental performance is associated with higher stock prices, which means that the higher the environmental performance, the higher the firm value.

In addition to affecting the company's value, financial performance and environmental performance also affect the company's environmental disclosures. Qiu, Shaukat, Tharyan, Court & Drive (2014) and Clarkson, Li, Richardson & Vasvari (2008) found that good environmental performance will trigger companies to prepare more comprehensive environmental exposures. Companies will be more determined with good environmental performance than shareholders, and other stakeholders are well informed through voluntary environmental disclosures than companies with low environmental performance. Iatridis (2013) and Lorraine et al. (2004) stated that good environmental and financial performance would make the company make extensive environmental disclosures to increase the value. Based on the research results above, we can conclude that environmental exposure can mediate firm value financial performance and environmental performance.

This study uses legitimacy theory, which explains a social contract between the company and the community (Choi, Lee & Psaros, 2013). Guthrie & Parker (1989) explain that legitimacy is the perception or action that the decisions taken by the company are by the values, norms, beliefs that must exist in society. Legitimacy theory explains that the interaction between a company and the community can be referred to as a social contract.

Because there are many explanations whose validity is doubtful, and the many problems that arise in society and the environment due to the company, it should affect the value of a company. It is also necessary to question whether the company's financial and non-financial performance has been maximally by stakeholders' expectations. However, in reality, many companies in this industry still have problems with society and the environment, experiencing an increase in share value. By taking the object of research on companies in the primary and secondary industries of the Indonesia Stock Exchange, this study was conducted to see whether financial performance and environmental performance can affect company value by being mediated by the environment.

This study aims to see the role of environmental disclosure as mediation in the relationship between performance and company value. Based on the explanation of the background above, the questions in this study are as follows.

1. Does environmental performance affect environmental disclosure?
2. Does financial performance affect environmental disclosure?
3. Does environmental performance affect firm value?
4. Does financial performance affect firm value?

5. Does environmental disclosure affect firm value?
6. Is environmental performance with firm value mediated by environmental disclosure?
7. Is financial performance with firm value mediated by environmental disclosure?
8. Are environmental performance and financial performance together on corporate value mediated by environmental disclosure?

II. RESEARCH METHODOLOGY

Hummel & Schlick (2016) explain that companies with good environmental performance will disclose high-quality environmental versions. It aims to show the market that they are doing an excellent environmental performance. Deswanto & Siregar (2018) explain that the previous year's environmental performance will affect environmental disclosure in the current year. Companies tend to disclose the benefits of their environmental performance and their achievements related to environmental management. This statement is by the results of research conducted by Nur Utomo, Rahayu, Kaujan & Irwandi (2020) that companies with good environmental performance will have incentives to make high-quality environmental disclosures to stakeholders.

H1. The Effect of Performance on The Environment

Financial performance is closely related to the disclosures made by the company, as revealed by Hermawan, Aisyah, Gunardi & Putri (2018) that profitability affects the disclosure of carbon emissions. Qiu et al. (2014) explained that companies with good profitability in the previous year would have the ability to carry out CSR activities and cooperate with stakeholders in these activities. Their performance will be seen in the disclosures made in the current year. This statement is also in line with Kansal, Joshi & Batra (2014) research that profitability positively affects CSR disclosure.

H2. The Effect of Performance on The Environment

Nur Utomo et al. (2020) explain that good environmental performance affects firm value. Muhammad, Scrimgeour, Reddy & Abidin (2015) and Sarumpaet et al. (2017) found that good environmental performance is associated with solid matter. Furthermore, Sarumpaet et al. (2017) explain that investors have different views on companies with good environmental performance and poor environmental performance.

H3. Effect Of Environmental Performance On Firm Value

Ratri & Dewi (2017) found that the better the financial performance, the better the firm value. Bidhari, Salim, Aisjah & Java (2013) also found the same thing: a good company's economic performance will affect its value if carried out sustainably. Sarumpaet et al. (2017) and Ratri & Dewi (2017) explain that financial information has value relevance for investors. This statement is because the information obtained from accounting reports can predict future profitability so that investors can use it to assess the company (Beaver, 2002).

H4. Effect of Financial Performance on Firm Value

Saka & Oshika (2014) explain that increasing environmental disclosure has a positive impact on stock prices. Furthermore, Chang, Li & Lu (2015) explain that companies by communicating company activities related to environmental management can increase company value because it can reduce the company's negative image in the eyes of stakeholders. The public will judge the company as having a responsibility to the environment. Khlif, Guidara & Souissi (2015) found that social and environmental information increases firm value in a study conducted in South Africa. The same thing was also found by Bidhari et al. (2013) in research conducted on public companies in Indonesia that CSR disclosures made by companies increase shareholder value and improve the company's reputation in the eyes of investors.

H5. Effect of Environmental Disclosure on Firm Value

If the company wants to increase the value, the company can use environmental disclosure as additional information for investors (Sarumpaet et al., 2017). Runtu & Naukoko (2014) found no direct relationship between environmental performance and firm value. Meanwhile, Nur Utomo et al. (2020) found a positive relationship between environmental performance and firm value.

H6. Environmental Disclosure Mediates The Relationship Between Environmental Performance and Firm Value

Ratri & Dewi (2017) explain that financial performance positively correlates with firm value, and environmental disclosure affects substantial value (Sarumpaet et al., 2017). Bidhari's et al. (2013) research shows that ROS does not affect firm value, while a study conducted by Ratri & Dewi (2017) found that financial performance affects substantial value.

H7. Environmental Disclosure Mediates The Relationship Between Financial Performance and Firm Value

Based on the previous explanation, environmental performance affects firm value (Nur Utomo et al., 2020), financial performance affects firm value (Ratri & Dewi, 2017), and environmental disclosure affects firm value (Saka & Oshika, 2014).

H8. The Effect of Environmental Performance and Financial Performance on Firm Value by Mediating Environmental Disclosure

III. SAMPLE AND SOURCES OF DATA

The population in this study were all companies listed on the Indonesia Stock Exchange. The research sample used in this study were primarily industrial companies consisting of the agricultural sector and the mining sector. The basis for choosing this industry is the level of sensitivity of the sector to society and the environment (Reverte, 2012).

The sampling technique was carried out by purposive sampling, namely determining the sample using specific criteria. These criteria are:

Tabel 1. Sample Details

Description	Total
Primary industrial companies listed on the Indonesia Stock Exchange during the period 2014-2018	50
Companies participating in the Company Performance Rating Program (PROPER) from the Ministry of Environment	(25)
Have a complete annual report for 2014-2018	(2)
Have complete data related to research variables	-
Number of samples	23
Number of Observations	115

Source: Data Processing (2020)

Based on the results of the sample selection in Table 1, the samples used in this study were 23 companies consisting of 115 observations.

The data used in this study is secondary data collected from company documentation. The data used is the company's annual report data for the 2014-2018 period, which is available on the IDX website or the company's website. Literature studies are also used to obtain journals, scientific books, online media, and other sources to support this research.

The operational variables used in this study are as follows:

1. Environmental performance, environmental performance is measured using an assessment given based on the PROPER rating obtained by the company (Deswanto & Siregar, 2018).
2. Financial performance is measured using comprehensive income based on López-Quesada et al.'s (2018) research.
3. Environmental Disclosure, Environmental disclosure is measured by scoring on the annual report and the company's sustainability report. Scoring is done using the 2016 GRI by providing assessment criteria based on Anggraeni & Djakman (2018) research.
4. Firm value is measured using Tobin's Q. Several studies have used Tobin's Q as a measurement of firm value, including Nur Utomo et al. (2020), and Lin & Chang (2011). Tobin's Q formula is:

$$Firm\ value\ (Q) = \frac{MVS + DA}{TA} \tag{1}$$

The data analysis method in this study is a quantitative analysis method where the analysis is carried out using statistical calculations for hypotheses that have been built using several analytical tools. This study's data analysis and hypothesis testing used the Structural Equation Model – Partial Least Square (SEM-PLS) model.

Table 2. Statistic Description

	N	Minimum	Maximum	Mean	Std. Deviation
Comprehensive Income	115	-6.76E12	7.30E12	1.9787E11	1.69151E12
Proper	115	3.00	5.00	3.3826	.58614
TobinsQ	115	.000157	.997660	.32774064	.212657568
GRI Score	115	41.00	277.00	120.3217	51.15723
Valid N (listwise)	115				

Source: SPSS Research Data Processing Results (2020)

Based on the data in Table 2, comprehensive income is comprehensive income seen in the annual report. The average total income is Rp19,787,000,000. Proper is a rating obtained by the company from the Ministry of the Environment, which has an average value of 3, meaning that the average rating received by the company is blue. The standard deviation of 0.5 represents a low inter-sample variance.

Tobin's is the value of the company as measured by the TobinsQ formula. The average weight of TobinsQ is 0.3277 with a standard deviation of 0.212, which means that the variance between samples is low.

The dependent variable is the GRI Score which describes the level of corporate CSR disclosure. The average exposure value is 120, with the maximum value achieved if all indicators are disclosed 582. This result means that the level of CSR disclosure in Indonesia is still low at 21%. A high standard deviation indicates an extensive range of CSR disclosure values.

This study uses the PLS-based SEM method in data processing, where this model requires two stages to assess the model's fit from a breakdown. These stages are the outer model and the inner model.

Table 3. Combined Loading and Cross-Loadings

	FP	EP	ED	FV	Type (as defined)	SE	P Value
Compreh	*1.000*	-0.000	-0.000	0.000	Reflect	0.072	<0.001
Proper	0.000	*1.000*	-0.000	-0.000	Reflect	0.072	<0.001
GRI_Sco	-0.000	0.000	*1.000*	0.000	Reflect	0.072	<0.001
TobinsQ	-0.000	-0.000	-0.000	*1.000*	Reflect	0.072	<0.001

Source: SPSS Research Data Processing Results (2020)

The output results in Table 3 show the loading factor value of each construct above 0.70 with a p-value <0.05.

Table 4. Latent Variable Coefficients

	FP	EP	ED	FV
Average variances extracted	1.000	1.000	1.000	1.000

Source: WarpPLS Processed Data (2020)

From the results of the Latent Variable Coefficients output in Table 4, the AVE value of the entire construct is above 0.50. Thus, the output results indicate that the criteria have been met.

Table 5. Correlations among l.vs. with sq. rts. of AVEs

Variables	FP	EP	ED	FV
FP	**1.000**	-0.020	0.018	0.254
EP	-0.020	**1.000**	0.108	0.341
ED	0.018	0.108	**0.783**	0.086
FV	0.254	0.341	0.086	**1.000**
Note: Square roots of average variances extracted (AVEs) shown on diagonal.				

Source: WarpPLS Processed Data (2020)

The output results in Table 5 illustrate that the square root of the AVE of each construct is greater than the

correlation value between the constructs and other constructs so that the model has sufficient discriminant validity.

Table 6. Composite reliability coefficients

FP	EP	ED	FV
1.000	1.000	1.000	1.000

Source: WarpPLS Processed Data (2020)

The assessment of composite reliability is carried out by looking at the value of composite reliability and Cronbach's alpha. A construct is reliable if the value of composite reliability and Cronbach's alpha is 0.70.

Table 7. Cronbach's alpha coefficients

FP	EP	ED	FV
1.000	1.000	1.000	1.000

Source: WarpPLS Processed Data (2020)

Based on the table above in conclusion that each construct has met the reliable criteria. This statement is indicated by the value of composite reliability and Cronbach's alpha for each construct above 0.70.

The next stage is to conduct a structural evaluation (inner model) which includes a model fit test (model fit), path coefficient, R-square. In the model fit test, there are three tests, namely the average path coefficient (APC), the average R-squared (ARS) with the condition that the p-value <0.05, and the average variance factor (AVIF) with the illness that it is smaller than 5. R-square is used to find out how much the influence of the independent variable influencing the dependent variable.

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Model fit and quality indices
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Average path coefficient (APC)=0.178, P=0.012
Average R-squared (ARS)=0.185, P=0.010
Average adjusted R-squared (AARS)=0.167, P=0.016
Average block VIF (AVIF)=1.175, acceptable if <= 5, ideally <= 3.3
Average full collinearity VIF (AFVIF)=1.121, acceptable if <= 5, ideally <= 3.3
Tenenhaus GoF (GoF)=0.430, small >= 0.1, medium >= 0.25, large >= 0.36
Sympson's paradox ratio (SPR)=1.000, acceptable if >= 0.7, ideally = 1
R-squared contribution ratio (RSCR)=1.000, acceptable if >= 0.9, ideally = 1
Statistical suppression ratio (SSR)=1.000, acceptable if >= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)=0.700, acceptable if >= 0.7
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Figure 1 – **Output General SEM analysis result**
Source: WarpPLS Processed Data (2020)

Figure 1 shows APC has an index of 0.178, with a p-value is 0.012, while for ARS, it has an index of 0.185, with a p-value of 0.010. Based on the criteria, APC and ARS have been met, which have a p-value <0.05. Furthermore, the AVIF value has a value of 1.175 and is by the required criteria, namely, the AVIF value is less than 5. Thus, the structural model (inner model) is acceptable.

Table 8. Model fit Indices

Variables	Index	P-*Value*	Criteria	Notes
APC	0.178	0.012	<0.05	Diterima
ARS	0.185	0.010	<0.05	Diterima
AVIF	1.175		AVIF≤5	Diterima

Source: WarpPLS Processed Data (2020)

Table 9 below shows that the value of R-SQUARE for the effect of the performance variable, financial performance, environment on the firm value variable is 0.330. These results indicate that 33% of firm value variables are influenced by environmental performance, financial performance, environmental disclosure, and other variables.

Furthermore, the R-squared value for environmental variables is 0.039, which illustrates that environmental performance and financial performance affect environmental variables by 3.9% of the effect on other variables.

Table 9. R-squared Coefficients

FP	EP	ED	FV
		0.039	0.330

Source: WarpPLS Processed Data (2020)

IV. RESULT AND DISCUSSION

Hypothesis testing is intended to prove the truth of research allegations or hypotheses. A hypothesis that can be accepted or rejected statistically can be calculated through the level of significance. The story of value used in this study is 5%. So as a basis for decision making, if the p-value is 0.05, then the hypothesis is accepted, p-value > 0.05, then the hypothesis is rejected. In contrast, the effect size can be grouped into three categories, namely weak (0.02), medium (0.15), and large (0.35) (Hair, Black, Babin & Anderson, 2018).
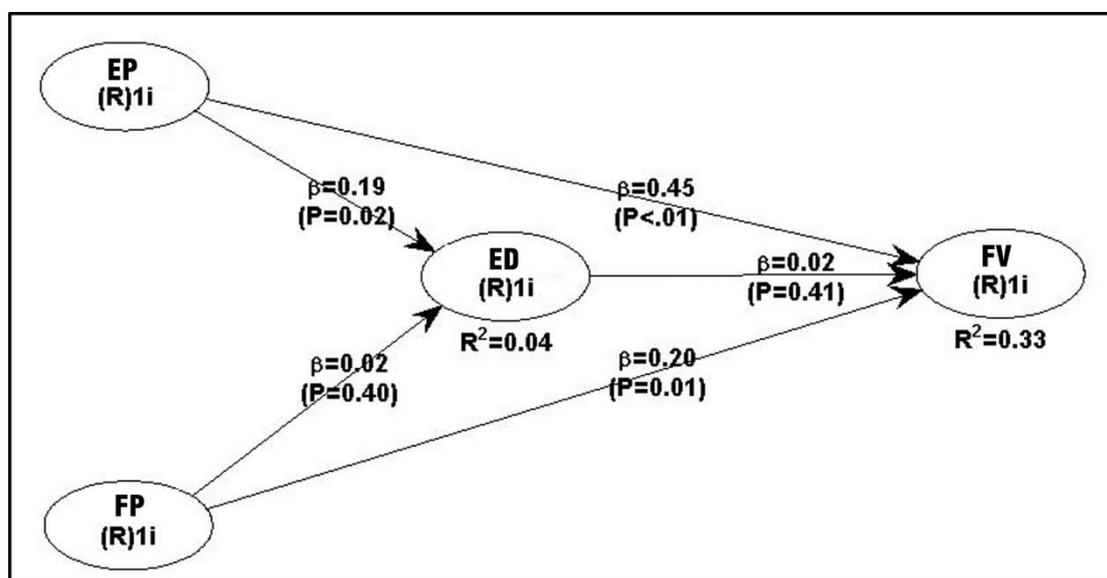

Figure 2 – Structural Model
Source: WarpPLS Processed Data (2020)

The first step in this research is to estimate the direct effect. The direct effect examines the direct effect of the variables in this study. Table 10 is the data obtained from the direct effect test.

Table 10. Direct Effect

Criteria	Variable	EP	FP	ED	FV
Path Coefficient	ED	0.190	0.024		
	FV	0.456	0.200	0.022	
P-Value	ED	0.017	0.399		
	FV	<0.001	0.013	0.408	
Effect sizes for path	ED	0.037	0.002		
	FV	0.249	0.080	0.004	

Source: WarpPLS Processed Data (2020)

Meanwhile, to prove the indirect effect, it is necessary to look at the value of the indirect impact and the total impact with the criteria that if the absolute path coefficient value (full indirect effect) is positive with a p-value (< 0.05), then there is an indirect effect. Meanwhile, if the total path coefficient value (total indirect effect) is negative with a p-value (> 0.05), then there is no indirect effect.

Table 11. Indirect Effect

Criteria	Variable	EP	FP	ED	FV
Path Coefficients	ED				
	FV	0.004	0.001		
P-Value	ED				
	FV	0.475	0.497		
Effect sizes for path	ED				
	FV	0.002	0.000		

Source: WarpPLS Processed Data (2020)

This study has a significant level of 5%, which means the hypothesis is accepted if the p-value is 0.05. If the p-value is more than 0.05, then the hypothesis is rejected. The following are data from the results of hypothesis testing in this study.

Table 12. Hypothesis Test Results

Hypothesis	Independent	Dependent	*Intervening*	P-*Value*	Keputusan
H1	Environmental Performance	Firm Value		<0.001	Accepted
H2	Financial Performance	Firm Value		0.013	Accepted
H3	Environmental Performance	Environmental Disclosure		0.017	Accepted
H4	Financial Performance	Environmental Disclosure		0.399	Rejected
H5	Environmental Disclosure	Firm Value		0.408	Rejected
H6	Environmental Performance	Firm Value	Environmental Disclosure	0.475	Rejected
H7	Financial Performance	Firm Value	Environmental Disclosure	0.497	Rejected

Source: WarpPLS Processed Data (2020)

The Effect of Environmental Performance on Firm Value

The structural model shows that the environmental performance variable influences firm value with a p-value < 0.001 or 0.05, so H1 is accepted. The beta coefficient value is 0.456, illustrating that one variation of the standard deviation of environmental performance causes 0.456 variations of the standard deviation of firm value. While the effect size value of the environmental performance variable on the firm value is 0.249, indicating that environmental performance is classified as a medium from a practical point of view in increasing firm value.

Environmental performance provides a competitive advantage for the company. Companies that have good environmental performance will get their value in the eyes of the community. Because the company focuses not only on financial performance but also non-financial performance, one of which is environmental performance, it follows the research results from Sarumpaet et al., (2017).

The Effect of Financial Performance on Firm Value

The picture of the structural model shows that the financial performance variable has an influence on firm value with a p-value of 0.013 or 0.05, so H2 is accepted. The beta coefficient value of 0.200 illustrates that one variation of the standard deviation of financial performance causes 0.200 variations of the standard deviation of firm value. While the effect size value of the financial performance variable on the firm value of 0.080 indicates that the effect of financial performance is weak from a practical point of view in increasing firm value even though it has a significant p-value.

Companies that have good financial performance have good capabilities in managing their resources. Thus, investor confidence will increase and increase the value of the company in the eyes of investors. (Beaver, 2002) revealed that financial information could predict future profitability so that investors can use it to assess the company. If good financial performance is carried out on an ongoing basis, it will affect the company's value (Bidhari et al., 2013).

Effect of Environmental Performance on Environmental Disclosure

The structural model shows that the environmental performance variable influences environmental disclosure with a p-value of 0.017 or 0.05, so H3 is accepted. The beta coefficient value is 0.190, illustrating that one variation of the standard deviation of environmental performance causes 0.190 variations of the standard deviation of environmental disclosure. While the effect size value of the environmental performance variable on environmental disclosure is 0.037, indicating that environmental performance is weak from a practical point of view in increasing environmental disclosure even though it has a significant p-value.

Environmental performance in the previous year will affect environmental disclosure in the current year because companies will disclose their success in environmental management (Deswanto & Siregar, 2018). Furthermore, the authors said that the awards and incentives received by the company in the previous year became the motivation for the company to make better environmental disclosures.

Effect of Financial Performance on Environmental Disclosure

The structural model image shows that the beta coefficient value is 0.024, illustrating that one variation of the standard deviation of financial performance causes 0.024 variations of the standard deviation of environmental disclosures. The direct coefficient of the financial performance variable on environmental disclosure is not significant with a p-value (p-value) of 0.399 or >0.05, so H4 is rejected.

Social and environmental activities are considered only to increase costs and do not benefit the company. The company does not focus on improving environmental performance and disclosure. The results of this study are in line with the research of Deswanto & Siregar (2018) and Veronica & Bachtiar (2010).

Effect of Environmental Disclosure on Firm Value

The picture of the structural model shows that the beta coefficient value is 0.022, illustrating that one variation of the standard deviation of environmental disclosure causes 0.022 variations of the standard deviation of firm value. The direct coefficient of the environmental disclosure variable on the company's value is not significant with a p-value (p-value) of 0.408 or >0.05, so H5 is rejected.

This data shows different results from previous studies such as Sarumpaet et al. (2017) and Iatridis (2013), where environmental disclosure positively impacts firm value. However, this is in line with the research results by Nur Utomo et al. (2020) and Deswanto & Siregar (2018). This result is because the primary consideration of investors in determining investment decisions is financial information. Companies that have good financial performance will be an attraction for investors to invest. Meanwhile, environmental disclosure is only "additional" information for investors in determining investment decisions.

Effect of Environmental Performance through Environmental Disclosure on Firm Value

The structural model image shows that the beta coefficient value is 0.004, illustrating that one variation of the standard deviation of environmental performance causes 0.004 variations of the standard deviation of firm value through environmental disclosure. The indirect coefficient of the environmental performance variable on the firm value is not significant with a p-value (p-value) of 0.475 or >0.05, so H6 is rejected.

The results of this study are not in line with the legitimacy theory that companies that carry out good social and environmental performance will get a "permit" to operate in the community, which means that the community has its value to the company. This hypothesis is not supported because environmental performance has not become the main focus for companies to increase their value in the eyes of investors and the public. This statement can also be seen from the phenomena regarding waste disposal, illegal logging, and other environmental causes that are not the company's main focus. In addition, the environmental disclosures made are not in line with the actual environmental performance. The information disclosed tends to be excessive and not by the environmental activities carried out. The results of this study are in line with the results of Deswanto & Siregar (2018).

Effect of Financial Performance through Environmental Disclosure on Firm Value

The picture of the structural model shows that the beta coefficient value is 0.001, illustrating that one variation of the standard deviation of financial performance causes 0.001 variations of the standard deviation of firm value through environmental disclosure. The indirect coefficient of the financial performance variable on the firm value is insignificant with a p-value (p-value) of 0.497 or >0.05, so H7 is rejected.

This result is not by the theory described earlier that companies with good financial performance will make

extensive environmental disclosures and indirectly increase their companies' value. Investors consider environmental disclosures to be only additional information in determining investment decisions. The results of this study are in line with Deswanto & Siregar (2018).

V. CONCLUSION

This study was conducted to see the effect of environmental disclosure in mediating financial performance and environmental performance on firm value in public companies, the primary industry, in 2014-2018. In conducting the analysis, descriptive statistics, statistical analysis, measurement models (outer models), Partial Least Square (PLS) structural equation analysis were used, and hypothesis testing. Quantitative data is obtained through the documentation of annual reports and sustainability reports.

The analysis results show that environmental performance and financial performance have a significant effect on firm value, the environmental performance has a significant effect on environmental disclosure. Meanwhile, environmental disclosure and environmental performance have no significant impact on firm value. Environmental performance and financial performance do not mediate environmental disclosure through firm value.

This finding shows that good financial performance does not encourage companies to carry out environmental disclosures properly because the company's primary focus is financial performance. In addition, environmental disclosure is still voluntary, so there is no obligation for companies to make extensive disclosures regarding their environmental performance.

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