

Environmental Performance Legitimacy and Market Price Dynamics

(A Comparative Study of the Coal Industry in Indonesia and Australia)

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ABSTRACT

Research objective: This study aims to analyze market responses to ESG disclosure in sustainability reports of coal companies in Indonesia and Australia within the framework of environmental legitimacy. Data were collected through documentation of ESG scores, sustainability reports, and stock price data within the H-5 to H+5 period. The analysis employed an interpretive qualitative approach by examining stock price movements and linking them to ESG disclosure contexts. The findings indicate that in Indonesia ESG functions as a mechanism to stabilize investor perception, while in Australia ESG acts as a stronger signal that is more rapidly reflected in the market. The results also show that market responses are contextual and influenced by institutional environments. Practical implication: This study highlights the importance of improving the quality and credibility of ESG disclosure to strengthen investor trust in the context of energy transition risks.

Keywords: Legitimacy; Stock Price; Coal; Capital Market.

ABSTRAK

Tujuan penelitian: Penelitian ini bertujuan untuk menganalisis respons pasar terhadap pengungkapan ESG dalam laporan keberlanjutan perusahaan batu bara di Indonesia dan Australia dalam kerangka legitimasi lingkungan. Data dikumpulkan melalui dokumentasi skor ESG, laporan keberlanjutan, dan data harga saham dalam periode H-5 hingga H+5. Analisis dilakukan menggunakan pendekatan kualitatif interpretatif dengan menelaah pergerakan harga saham dan mengaitkannya dengan konteks pengungkapan ESG. Hasil penelitian menunjukkan bahwa di Indonesia ESG berfungsi sebagai mekanisme untuk menstabilkan persepsi investor, sedangkan di Australia ESG bertindak sebagai sinyal yang lebih kuat dan lebih cepat tercermin di pasar. Hasil ini juga menunjukkan bahwa respons pasar bersifat kontekstual dan dipengaruhi oleh lingkungan institusional. Implikasi praktis: Penelitian ini menekankan pentingnya meningkatkan kualitas dan kredibilitas pengungkapan ESG untuk memperkuat kepercayaan investor dalam konteks risiko transisi energi.

Kata Kunci: Legitimasi; Harga Saham; Batu Bara; Pasar Modal.

INTRODUCTION

The coal industry stands within an increasingly undeniable sustainability paradox: it continues to serve as a major source of energy, revenue, and market capitalization, while simultaneously remaining at the center of global criticism concerning carbon emissions, energy transition risks, and the climate crisis, all of which demand significant changes in how companies justify the sustainability of their operations (Blinova et al., 2023; Bolognesi et al., 2025; Rekker et al., 2023). Under the increasing pressure of decarbonization, coal companies are no longer able to rely solely on the disclosure of production output, profitability, and reserve capacity, as investors, regulators, and other stakeholders have begun to demand more comprehensive and credible narratives concerning emissions management, environmental governance, transition strategies, and the authenticity of sustainability commitments presented within corporate sustainability report (Ma et al., 2024; Pratama & Permatasari, 2024; Yuliana & Wedari, 2023). Sustainability reports have consequently become a strategic arena in which coal companies construct green narratives regarding their future prospects, despite the fact that their core business activities remain fundamentally rooted in a commodity materially associated with carbon-related risks, ecological impacts, and the uncertainty of global energy regulations (Bachner, 2025; Itan et al., 2025; Pandey et al., 2024). Within the capital market, such narratives do not merely function as compliance documents, as the disclosure of emissions and other ESG-related information may be interpreted by investors as signals of risk that do not necessarily alter expectations regarding firm value in a direct manner (Ferjančič et al., 2024; Maccarrone et al., 2024; Serafeim & Yoon, 2023). The issue becomes increasingly compelling when coal issuers in Indonesia and Australia are positioned within a comparative discursive framework, as both economies continue to rely on extractive industries while operating under differing levels of market maturity regarding the quality of sustainability disclosure (Hoffart & Holz, 2024; Pereira et al., 2025; Rini et al., 2024). Therefore, the research problem does not merely concern whether the publication of sustainability reports is followed by changes in stock prices, but rather how ESG narratives presented by coal companies are perceived as efforts to maintain environmental legitimacy and how the market responds to such sustainability narratives within a short event window.

This study is grounded in Legitimacy Theory, which views corporations as organizations that continuously seek social acceptance when their activities are subjected to public scrutiny, particularly within environmentally sensitive sectors such as coal mining (Amos, 2024; Dewi & Kurniawan, 2020; Liu et al., 2023). From this perspective, ESG disclosure may function as a communicative practice that structures the relationship between corporations and stakeholders through claims that corporate values remain aligned with continuously evolving social expectations (Fujikura & Oe, 2023; Jiang et al., 2024; Tsang et al., 2023). Previous studies indicate that mining companies in Australia tend to face more stringent environmental reporting pressures, whereas the implementation of carbon emission disclosure practices in Indonesia continues to encounter issues related to reporting completeness, particularly in terms of carbon accounting practices and verifiable

emissions disclosure (Mia et al., 2021; Pratama & Permatasari, 2024; Yang et al., 2021). Other studies have found that the quality of Scope 3 disclosure within the ASEAN energy sector remains relatively low and largely dependent on unaudited estimations, while sustainability reporting policies in Indonesia appear to place greater emphasis on the quantity of disclosures rather than on the technical quality of carbon-related information that can genuinely be utilized to assess transition risks (Firmansyah et al., 2021; Gunawan et al., 2022; Warokka et al., 2024). Within the capital market context, ESG-related research demonstrates that investor reactions toward sustainability information are not always uniform, as stock price responses are influenced by the quality of information, ESG reputation, the degree of divergence among rating agencies, and the institutional context in which companies operate (Khanchel & Lassoued, 2022; Kim & Koo, 2023; Serafeim & Yoon, 2023). Accordingly, Legitimacy Theory helps explain why coal companies perceive the need to construct sustainability narratives, while the ESG and capital market literature explains why such narratives may be accepted, ignored, or questioned by the market through differing stock price patterns across companies and countries.

Previous studies share a common perspective in viewing sustainability disclosure as a strategic instrument that may assist corporations in managing legitimacy and conveying signals of environmental risk to the capital market, thereby positioning sustainability reports as a medium of communication between corporations and external stakeholders (Hettler & Graf-Vlachy, 2024; Park et al., 2023; Tsang et al., 2023). Nevertheless, most previous studies continue to position the market as an information-processing mechanism measured through statistical relationships among ESG scores, stock returns, firm value, or abnormal returns, thereby reducing the interpretative dynamics underlying market responses to coefficients, levels of significance, and the direction of relationships between variables (An et al., 2025; Aydoğmuş et al., 2022; Wang et al., 2023). Such a tendency causes ESG and stock price research to frequently overlook how sustainability reports function as narratives of legitimacy, namely narratives that are selectively constructed, emphasized, and at times strategically softened by corporations in order to preserve the perceived acceptability of their extractive activities before a market that is becoming increasingly aware of climate-related risks (Mateo-Márquez et al., 2022; Sneideriene & Legenzova, 2025; Yu et al., 2020). A further research gap lies in the limited number of studies that comparatively and interpretatively examine the Indonesian and Australian contexts within the coal sector, despite the fact that differences in regulatory pressure, capital market maturity, and stakeholder expectations may cause similar ESG information to generate differing market interpretations (Hoffart & Holz, 2024; Pereira et al., 2025; Rini et al., 2024). Furthermore, the use of the H-5 to H+5 event window in ESG research is generally intended to examine market reactions quantitatively, whereas this study positions the event window as a temporal space for explaining whether the publication of sustainability reports emerges as an informational shock, a confirmation of market expectations, or merely a reporting ritual insufficiently strong to alter market perceptions (Chen et al., 2024; El Ghouli et al., 2023; Huang, 2025). Accordingly, the research gap addressed in this study lies in the need to interpret ESG disclosure

among coal issuers as a narrative of legitimacy that intersects with stock price dynamics within a cross-country context, thereby enabling market responses to be understood not merely as numerical movements, but as limited traces of the social interpretative process surrounding the credibility of corporate sustainability.

The novelty of this study lies in its attempt to comparatively integrate narratives of environmental legitimacy, ESG narratives, and stock price dynamics among coal issuers in Indonesia and Australia, while adopting a more cautious position toward claims of causality in order to avoid the assumption that every stock price movement necessarily originates from a particular sustainability document. Theoretically, this study extends the application of Legitimacy Theory by positioning ESG as a market narrative with substantive dimensions, thereby framing legitimacy not as a fixed status possessed by corporations, but rather as a continuously negotiated process shaped through the quality of corporate claims, the credibility of disclosure evidence, and market responses to environmental risks (Amos, 2024; Fujikura & Oe, 2023; Park et al., 2023). Methodologically, this study offers an interpretative approach based on secondary data by combining ESG scores, sustainability reports, and stock price patterns within the H-5 to H+5 event window to examine the interrelationship between sustainability narratives and market dynamics in a descriptive-contextual manner, without asserting causal relationships that have not been statistically tested (Berg et al., 2022; Khamisu & Paluri, 2024; Tsang, 2022). Empirically, this study places particular emphasis on coal issuers in Indonesia and Australia as two contexts that are similarly dependent on extractive industries, yet differ in reporting pressures, investor expectations, and market sensitivity toward energy transition risks, thereby enabling the comparison to illustrate how the meaning of ESG shifts as it moves from one institutional regime to another (Kurnia et al., 2021; Rini et al., 2024; Yang et al., 2024). This novelty is significant because the ESG literature continues to frequently treat sustainability scores as neutral forms of information, despite the fact that within the coal sector, every green claim inherently carries a tension between the need to maintain legitimacy and the reality that corporate operations remain overshadowed by carbon-related risks (Ballentine, 2024; Luo et al., 2023; Traub et al., 2025). By interpreting ESG as a narrative subjected to market evaluation, this study seeks to provide a more grounded understanding of how environmental legitimacy operates within a space that is never entirely free from economic interests, regulatory pressures, and investor skepticism.

This study adopts an interpretative paradigm that views the capital market as an arena of meaning construction, in which stock prices are not treated merely as mechanical reflections of objective information, but rather as traces that must be interpreted alongside the context of disclosure and the quality of sustainability narratives that shape how ESG information is understood by market participants (Berg et al., 2022; de Jong et al., 2025; Zajac & Westphal, 2004). The research questions addressed in this study are as follows: (1) how does the market respond to the publication of sustainability reports issued by coal companies in Indonesia and Australia within the H-5 to H+5 event window? and (2) why do differences in the quality of ESG disclosure contribute to differing patterns of stock price responses

across the two countries? This study aims to elaborate how ESG disclosure and sustainability narratives presented by coal issuers are interpreted by the market as signals of environmental legitimacy, while also examining how stock price movements surrounding the publication of sustainability reports may provide preliminary indications regarding the limitations of market responses toward corporate sustainability claims. The analysis is conducted through a descriptive examination of stock price trends, an assessment of ESG scores, and a contextual interpretation of sustainability reports, thereby positioning the study within an interpretative framework that emphasizes the understanding of patterns and meanings rather than the testing of causal relationships through inferential statistical methods. From a practical perspective, this study is expected to assist the management of coal issuers in enhancing the credibility and substantive quality of ESG disclosure, support institutional investors in interpreting sustainability reports more critically when assessing energy transition risks, and provide insights for capital market regulators regarding the need for sustainability reporting practices to evolve beyond formal compliance toward more measurable forms of accountability. From the perspective of academic development, this study positions sustainability reports as contested narrative spaces in which coal companies continuously attempt to maintain legitimacy before a market that does not automatically accept the “green” status claimed through corporate sustainability disclosure.

LITERATURE REVIEW

Legitimacy Theory views sustainability disclosure as an organizational effort to obtain, maintain, or restore social acceptance through the alignment of values, symbols, and practices considered acceptable by the public (Fatimah et al., 2024; Manurung et al., 2025). Within the mining context, the lens of Legitimacy Theory is particularly relevant because extractive activities are frequently subjected to scrutiny regarding their environmental and social impacts, thereby positioning corporate reporting as an arena for pursuing both pragmatic and moral legitimacy (Hapsari, 2023). The concept of Social Licence to Operate helps explain how legitimacy within the mining sector is contested and negotiated, including through corporate narratives that may obscure structural tensions within extractive regions (Eabrasu et al., 2021). Cross-country studies further demonstrate that the quality of climate-related disclosure may be interpreted as the result of a dynamic interplay between Legitimacy Theory and voluntary disclosure theory, thereby making these perspectives particularly relevant for evaluating corporate communication strategies (Suhendar & Hakim, 2021). As an effort to align corporate operations with prevailing social norms, companies undertake sustainability reporting as an instrument of adaptation to environmental expectations in order to maintain legitimacy (Prihandono & Herliansyah, 2025).

Within the domain of carbon disclosure, legitimacy may operate as a communicative process in which high-emission companies intensify sustainability narratives and disclosure indicators in order to mitigate legitimacy threats while preserving organizational value (Wardhani & Lastanti, 2023). The relationship between carbon performance, carbon disclosure, and financial performance is frequently framed as a signal directed toward the market, thereby positioning

reporting strategies as mechanisms that function both as signals and as forms of corporate justification (Fitriana et al., 2024). At the same time, information asymmetry helps explain why certain companies seek to enhance credibility through carbon assurance practices when stakeholders face difficulties in independently verifying emissions-related information (Ovina & Meiden, 2023). Previous studies have also linked emissions, environmental disclosure, and assurance practices with the cost of capital, thereby reinforcing the argument that carbon reporting should not be understood merely as a form of regulatory compliance, but rather as a long-term mechanism for protecting corporate value (Fitriana et al., 2024). Companies may obtain economic benefits from higher-quality environmental disclosure, both through reductions in the cost of capital and improvements in cash flow generation (Trimuliani & Febrianto, 2023).

The transition of climate reporting regimes from voluntary to mandatory frameworks has encouraged organizations to restructure the manner in which they explain emissions footprints and transition risks, thereby requiring the conceptual framework to position carbon disclosure not only as an accounting practice, but also as a communicative practice that connects the issues identified in the introduction with the design of qualitative data collection (Amel-Zadeh & Tang, 2025; Traub et al., 2025). In the literature, carbon disclosure is understood not merely as a list of emission figures, but as a mechanism that integrates performance logic, governance, and market consequences, thereby requiring conceptual analysis to emphasize why information quality and the choice of indicators have become central issues in both academic and practical debates (Park et al., 2023; Velte et al., 2020). As reporting standards and guidelines continue to evolve through institutional dynamics, recent studies emphasize that the adoption of reporting frameworks may influence comparability, completeness, and mitigation orientation, thereby requiring this study to distinguish between formal conformity and substantive accountability as a conceptual bridge toward the methodological approach (Luo & Tang, 2023). Within extractive industries, sustainability reporting frequently emphasizes indicators closely associated with internal operations, while supply chain issues and broader externalities with substantial impacts may remain marginalized, thereby requiring the conceptual framework to highlight how sectoral contexts shape which issues are considered appropriate for disclosure and which tend to be strategically downplayed (Meutia et al., 2022; Demirkan et al., 2021). Furthermore, the form and placement of disclosure influence both its visibility and the manner in which readers interpret corporate signals, thereby making it essential for the conceptual framework to distinguish between what is disclosed and how the disclosure is presented before conducting a systematic qualitative interpretation (Chua et al., 2024; Yang et al., 2024). Accordingly, the conceptual framework of this study positions carbon disclosure as the outcome of an ongoing tension between climate-related risk pressures and the design of disclosure regulations, thereby enabling the unit of analysis, thematic categories, and cross-country comparative strategy to be formulated explicitly (Carter et al., 2026; Pitman et al., 2024).

When companies respond to such pressures, the quality and credibility of disclosure become critical issues because climate-related information may function

both as a signal that reduces information asymmetry and as a symbolic instrument for maintaining social acceptance, thereby requiring the conceptual framework to define credibility as a combination of completeness, methodological consistency, and verifiability (Hettler & Graf-Vlachy, 2024; Luo et al., 2023). The anti-greenwashing literature demonstrates that prevention mechanisms do not depend solely on the existence of sustainability reports, but also on the design of verification processes, governance mechanisms, and the broader regulatory ecosystem, thereby requiring qualitative research to examine how companies construct claims, supporting evidence, and calculation boundaries within their reporting narratives (Sneideriene & Legenzova, 2025). The concept of greenwashing within ESG discourse highlights the existence of companies that appear highly transparent despite demonstrating weak underlying performance, thereby requiring the conceptual framework to distinguish between disclosure and representational accuracy when assessing whether emissions-related information genuinely informs decision-making or merely enhances corporate image (Mateo-Márquez et al., 2022; Yu et al., 2020). At the same time, a conceptual explanation regarding the use of theory in qualitative research helps ensure that analytical categories function not merely as thematic lists, but as reasoning devices that explain the relationships among concepts, thereby allowing the coding process to follow an auditable argumentative logic (Byrne, 2022; Garvey & Jones, 2021). Contemporary guidelines concerning the application of theory and the implementation of qualitative content analysis emphasize the importance of documenting interpretative decisions, maintaining the traceability of quotations, and clearly defining the boundaries of inference, thereby requiring the conceptual framework to translate these principles into operational procedures for interpreting sustainability reports in a consistent manner (Kawamoto et al., 2023; Nguyen et al., 2022). Finally, in order to maintain the reliability of the findings, the conceptual framework must incorporate criteria of trustworthiness while also mapping how actors employ materiality as a language of justification within sustainability reports, thereby ensuring that the quality of interpretation can be adequately substantiated (Ahmed, 2024; Haack & Rasche, 2021).

Within the comparative context of Indonesia and Australia, institutional environments and market practices shape the ways in which organizations select the issues considered most visible and frame risk-related narratives, thereby requiring the conceptual framework to position cross-country differences as variations in institutional pressure rather than merely differences in reporting style (Amos, 2024; Ferjančič et al., 2024). Beyond disclosure practices, emissions calculation procedures and carbon market infrastructures demonstrate that emissions figures are always produced through specific instruments, assumptions, and compromises, thereby requiring the conceptual framework to treat such figures as socio-technical artifacts that can be interpreted through narrative traces, tabular presentations, and methodological explanations (Ballentine, 2024; Fraser & Fiedler, 2023). Discussions concerning net-zero targets and financed emissions metrics emphasize that the selection of metrics, scope definitions, and measurement boundaries significantly influence the interpretation of progress, thereby requiring the conceptual framework to provide an analytical lens for assessing the consistency between target-related

claims and the emissions inventory information disclosed by companies (Benvenuto et al., 2023; Vestrelli et al., 2024). From the perspective of discursive dynamics, previous studies indicate that public forums and digital spaces may generate counter-narratives toward corporate claims, thereby requiring the conceptual framework to recognize that corporate reports exist within a broader communication ecology and that qualitative interpretation must remain sensitive to responsive communication strategies (Ding et al., 2023; McDaid & Free, 2025). Furthermore, science-based climate risk evaluation frameworks and integrated reporting practices demonstrate that high-quality disclosure requires coherence among risk assessment, governance structures, and performance indicators, thereby requiring the conceptual framework to clarify the indicators of such interrelationships as the foundation for analytical categories prior to the coding procedure (Fiedler et al., 2025; Perera et al., 2024). As a concluding point, the mapping of trends within the climate accounting literature highlights the expanding domain of carbon accounting and the growing need for more contextualized research, thereby directing the conceptual framework of this study toward explicitly and systematically bridging theory, the coal sector context, and the design of comparative content analysis in a replicable manner (Brackley et al., 2025; Setiawan et al., 2023).

METHOD

This study adopts an interpretative paradigm that views ESG disclosure, sustainability reports, and stock price movements as components of a broader process of meaning construction within the capital market, rather than as neutral objects that can be understood solely through numerical indicators (Qadri, 2024; Rizqo & Qadri, 2024; Saputro & Qadri, 2024). Within this paradigm, ESG scores are not treated as entirely objective technical measures, since ESG assessments inherently involve processes of evaluation, weighting, and value framing that may differ across rating agencies and market contexts (Berg et al., 2022; de Jong et al., 2025). Stock prices are likewise not conceptualized as direct reflections of corporate sustainability performance, but rather as market-based indicators that must be interpreted in conjunction with corporate reputation, transition risks, corporate narratives, and the institutional environment that shapes the manner in which information is processed by market participants (Serafeim & Yoon, 2023; Zajac & Westphal, 2004). The selection of an interpretative paradigm is particularly relevant because this study does not aim to test causal relationships between the publication of sustainability reports and changes in stock prices, but rather seeks to understand how ESG information is interpreted within differing market environments (Tsang, 2022; Garvey & Jones, 2021). Accordingly, the capital market in this study is positioned as a social arena in which corporate narratives, investor expectations, regulatory pressures, and carbon-related risks intersect in shaping responses that are not always uniform (Qadri & Firmansyah, 2020; Qadri & Murwaningsari, 2023; Rahmithasari & Qadri, 2024). This study is designed as an interpretative qualitative study employing a comparative case study approach involving four coal issuers, namely PT Alamtri Resources Indonesia Tbk and PT Bumi Resources Tbk from Indonesia, as well as Whitehaven Coal Limited and Stanmore Resources Limited

from Australia. The selection of these companies was conducted purposively on the grounds that all operate within the coal sector, publish sustainability reports, possess traceable ESG data, and have publicly traded shares, thereby enabling an examination of stock price dynamics surrounding the publication dates of sustainability reports. Indonesia and Australia were selected because both possess significant coal industries, yet operate within differing regulatory environments, market pressures, and sustainability disclosure practices, thereby providing a relevant basis for cross-institutional comparison (Kurnia et al., 2021; Rini et al., 2024). The comparative case study design is employed because this study seeks not only to examine how stock prices move following the publication of sustainability reports, but also to understand why the meaning of ESG may differ when interpreted within distinct market regimes. Accordingly, the unit of analysis encompasses ESG disclosure narratives contained within sustainability reports, corporate ESG scores, and stock price movement patterns during the H-5 to H+5 period surrounding the publication dates of sustainability reports.

Data collection was conducted through a documentation study involving three primary categories of data, namely sustainability reports, ESG scores, and daily stock price data. Sustainability reports were obtained from the official websites of the respective companies and/or stock exchange disclosure platforms in order to examine corporate narratives concerning emissions, environmental management, climate-related risks, energy transition strategies, sustainability governance, and efforts to maintain environmental legitimacy. ESG scores were collected from Refinitiv or other ESG rating sources applied consistently throughout the study to assess corporate sustainability profiles, both in aggregate and across environmental, social, and governance dimensions, given that ESG ratings may influence how non-financial information is perceived by the market (Ferjančič et al., 2024; Şeker & Şengür, 2021). Daily stock price data were collected from verifiable capital market sources, including the Indonesia Stock Exchange (IDX), the Australian Securities Exchange (ASX), Refinitiv, Yahoo Finance, and other recognized financial databases, with the observation period focused on five trading days before and five trading days after the publication date of each sustainability report (El Ghouli et al., 2023; Wang et al., 2023). Furthermore, the publication dates of sustainability reports were carefully verified to ensure that the H-5 to H+5 event window accurately referred to the period in which the reports became publicly available, rather than merely reflecting the reporting year stated within the documents. To ensure the accuracy of market interpretation, this study also documents contextual information that may potentially influence stock price movements during the observation period, including corporate actions, dividend announcements, fluctuations in coal commodity prices, regulatory developments, market index sentiment, and other economic events that may affect investor decision-making. The inclusion of such contextual information is necessary because market responses to ESG-related information cannot be separated from other information circulating simultaneously within the market environment. Accordingly, the interpretation of stock price patterns is conducted cautiously and is not intended to support excessive claims of causality (Chen et al., 2024; Potharla et al., 2024). The use of the H-5 to H+5 event

window is intended to examine stock price patterns surrounding the publication dates of sustainability reports, rather than to statistically test abnormal returns as is commonly conducted in quantitative event studies. Accordingly, stock price data are utilized as descriptive-contextual materials that are interpreted in relation to sustainability narratives and ESG scores, rather than as the sole basis for drawing conclusions. This approach is adopted in order to maintain consistency with the interpretative paradigm, which positions stock prices as limited traces of the market's meaning-making process toward sustainability-related information. Data analysis was conducted through two complementary analytical pathways in order to align with the dual objectives of the study. The first pathway involved examining stock price movement patterns within the H-5 to H+5 event window to identify whether the publication of sustainability reports was followed by stable, gradual, rapid, directional, or volatile price patterns, while still acknowledging the limitations of stock price data as indicators of market behavior. The second pathway consisted of a qualitative analysis of sustainability report narratives aimed at understanding how companies construct ESG-related narratives concerning emissions, climate risks, energy transition, governance, and environmental responsibility. At this stage, the researcher conducted coding procedures on report sections relevant to categories such as compliance narratives, symbolic legitimacy, pragmatic legitimacy, substantive legitimacy, transition risk disclosure, emissions management claims, and the tensions between sustainability language and the operational realities of the coal industry (Byrne, 2022; Kawamoto et al., 2023). The coding results were subsequently compared with ESG scores and stock price patterns to examine whether narratives that were more substantive, consistent, and measurable tended to be associated with market responses that were relatively faster or more directionally pronounced. The trustworthiness of this study was maintained through data source triangulation, analytical traceability, and caution in the process of drawing conclusions. Triangulation was conducted by comparing three primary sources of data, namely sustainability reports, ESG scores, and daily stock price data, thereby ensuring that interpretations were not based solely on a single type of data and could instead be examined through the interrelationship among multiple sources (Ahmed, 2024; Nguyen et al., 2022). Analytical traceability was maintained through the development of a coding matrix containing the company name, sustainability report excerpts, initial codes, final thematic categories, ESG scores, and stock price patterns within the H-5 to H+5 event window. The researcher also limited the scope of the claims by refraining from asserting that stock price changes were entirely caused by the publication of sustainability reports, given that this study did not employ causal statistical testing and did not directly observe investor behavior. Accordingly, the findings of this study are positioned as a contextual interpretation of the relationship among ESG narratives, environmental legitimacy, and market dynamics, rather than as a universal generalization applicable to all coal issuers.

RESULT AND DISCUSSION

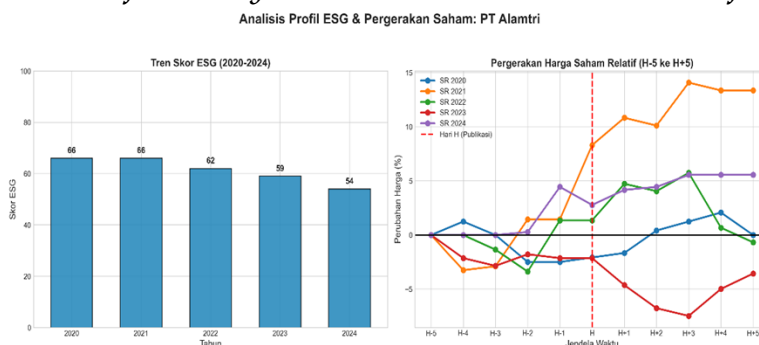
The publication of sustainability reports by coal issuers in Indonesia and Australia did not generate uniform patterns of market response. Among Indonesian

issuers, ESG disclosure tended to function as a mechanism for stabilizing market perceptions, namely by maintaining investor interpretations of the companies within relatively stable expectations, without producing sharp stock price movements during the H-5 to H+5 event window. In contrast, among Australian issuers, ESG appeared to operate as a signal that was processed more rapidly by the market, as sustainability-related information was more readily associated with energy transition risks, the credibility of corporate strategies, and a more mature regulatory environment. These differences indicate that the meaning of ESG is not inherently embedded within ESG scores or sustainability reports themselves, but is instead shaped by the quality of disclosure, institutional contexts, and the manner in which the market interprets the sustainability narratives of coal companies. Accordingly, the findings of this study affirm that ESG within the coal sector should not be understood merely as non-financial information, but also as a narrative of legitimacy that is tested by the market within a short, limited, and interpretatively contested temporal space.

The stock price movements of PT Alamtri Resources Indonesia Tbk during the H-5 to H+5 period, as illustrated in Figure I, demonstrate relatively limited fluctuations characterized by a narrow range of daily changes and the absence of significant spikes surrounding the publication date of the sustainability report. This condition indicates that the information disclosed was not perceived by investors as a new signal carrying substantial significance, but had instead already been reflected in market expectations formed prior to the publication. Consequently, the market did not interpret the release of the sustainability report as an event capable of generating fundamental changes in overall corporate value. Rather, the information was viewed as part of a routine flow of disclosures that had already been anticipated by market participants in their investment activities. Accordingly, it may be concluded that investor responses remained relatively stable and did not exhibit excessive reactions toward the publication of the sustainability-related information (Maccarrone et al., 2024; Serafeim & Yoon, 2023).

This stability becomes increasingly relevant when examined in relation to the company's ESG score trend, which demonstrates a gradual decline over time, thereby indicating the absence of sufficiently strong improvements in sustainability performance capable of influencing investor perceptions. Such conditions limit the likelihood of significant short-term market responses because the available information does not provide signals of meaningful change. The decline in ESG scores suggests that the company has not been able to demonstrate consistent progress in sustainability-related aspects, resulting in the absence of substantial reinforcement of investor confidence. Consequently, the information disclosed in the sustainability report was more likely perceived as a continuation of existing conditions rather than as a source of revised market expectations. Accordingly, there was insufficient impetus for investors to undertake significant adjustments to their investment decisions during the observation period (Bachner, 2025; Kim & Koo, 2023).

Figure I. ESG Profile Analysis and Stock Price Movements of Alamtri



During the pre-publication period, stock price movements remained within a relatively narrow and stable range, indicating the absence of strong investor expectations regarding the information to be disclosed and suggesting that the market did not anticipate significant changes within the sustainability report. This condition implies that investors lacked sufficient incentives to adjust their positions aggressively, as the forthcoming disclosure was not perceived as having substantial potential to affect corporate value. When the sustainability report was published, the stock price chart did not exhibit significant directional changes, thereby indicating the absence of a notable trend shift during the event period and suggesting that the disclosed information did not deviate from prior market expectations. This finding demonstrates that the market had already formed an initial understanding of the company's condition, such that the publication of the report merely reinforced perceptions that had previously been established (Huang, 2025; Lee et al., 2025).

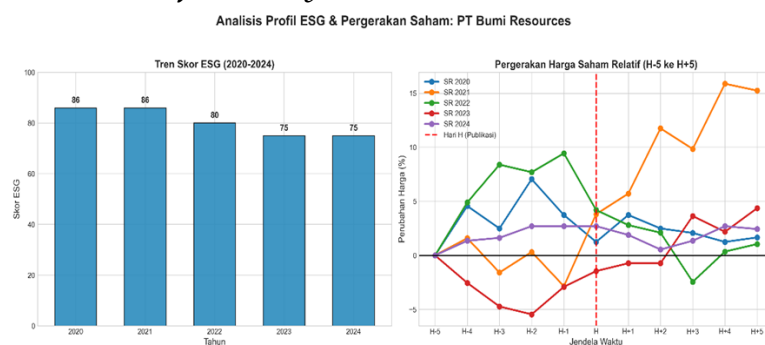
Following the publication period, stock price adjustments occurred gradually and did not exhibit sharp increases, indicating that investor evaluation processes continued to take place, although not in the form of immediate reactions, thereby suggesting that the market required time to interpret the available information. This condition demonstrates that investors engaged in a more careful assessment of the report's contents, resulting in responses that were relatively measured and not dominated by short-term speculation. Such a pattern suggests that the sustainability report was treated more as confirmatory information rather than transformative information, such that it did not directly alter market valuations in a drastic manner, leading market responses to remain gradual rather than highly reactive. In this context, the disclosed information functioned primarily to reinforce existing perceptions rather than to generate significant changes in investor expectations toward the company (Maccarrone et al., 2024; Pandey et al., 2024).

When associated with the company's ESG condition, these findings indicate that sustainability-related information did not function as the primary driver of short-term stock price changes, thereby limiting its role to that of a supporting factor in the formation of investor perceptions, which was insufficiently strong to serve as the principal basis for trading decisions. This suggests that investors continued to consider various factors beyond ESG considerations, including financial performance and broader market conditions, in determining their investment decisions. Accordingly, the relationship between the publication of the sustainability

report and stock price dynamics in PT Alamtri Resources Indonesia Tbk was indirect in nature and heavily influenced by the manner in which investors interpreted the disclosed information, reflecting that stock price formation processes are shaped not only by data, but also by market perceptions. This finding further demonstrates that stock prices represent the outcome of a gradual evaluative process that evolves alongside increasing investor understanding of the available information (Khanchel & Lassoued, 2022; Tsang et al., 2023).

Compared with PT Alamtri Resources Indonesia Tbk, the stock price movements of PT Bumi Resources Tbk exhibited a more directional pattern during the H-5 to H+5 period, as illustrated in Figure II. Prior to the publication of the sustainability report, stock price movements had already begun to display a particular trend, which may be interpreted as an indication that the market had formed preliminary expectations regarding the information to be disclosed. This pattern becomes particularly relevant when associated with the company's ESG score condition, which appeared relatively more consistent than in the previous case, thereby providing a basis for investors to develop expectations prior to publication. Although no extreme price surge was observed on the publication date itself, post-publication stock price movements became more consistent in direction. Accordingly, this pattern reflects that the market possessed a relatively higher level of confidence in PT Bumi Resources Tbk (Itan et al., 2025; Serafeim & Yoon, 2023).

Figure II. ESG Profile Analysis and Stock Price Movements of Bumi



When associated with the company's ESG profile, the condition of PT Bumi Resources Tbk indicates that the influence of sustainability-related information is not determined solely by the magnitude of ESG scores within a particular period, but is more strongly shaped by the consistency and credibility of sustainability performance demonstrated over time. The more structured stock price response reflects that investors have increasingly begun to associate sustainability disclosure with operational risk and corporate reputation, such that ESG information is no longer perceived merely as supplementary or secondary information. In this context, ESG has evolved into an integral component of the investor evaluation framework used to assess corporate resilience against environmental pressures and the increasingly complex dynamics of energy transition. The stability and consistency of ESG scores provide more predictable signals regarding the direction of corporate sustainability policies, thereby assisting investors in forming more structured

expectations. Accordingly, the relationship between ESG disclosure and stock price dynamics in PT Bumi Resources Tbk demonstrates a relatively higher level of market acceptance compared with PT Alamtri Resources Indonesia Tbk, as the disclosed information was perceived as more credible and more relevant to the investment decision-making process (Hettler & Graf-Vlachy, 2024; Luo & Tang, 2023).

A deeper examination of PT Bumi Resources Tbk's stock price dynamics following the publication of the sustainability report indicates that the observed stabilization was not merely characterized by the absence of volatility, but also reflected a consolidation of investor expectations toward the information disclosed by the company. Under these conditions, the market appeared to reach a relatively shared understanding regarding how ESG-related information should be interpreted within the context of the company's long-term risks and prospects. The consistency of ESG scores further reduced interpretative uncertainty, thereby minimizing the need for investors to undertake drastic adjustments to their expectations. This consolidation process suggests that market responses were no longer dominated by short-term speculation, but rather by more rational evaluations of the credibility of sustainability-related information. Consequently, stock price movements became more directional and did not exhibit extreme fluctuations. Accordingly, these dynamics indicate that ESG-related information disclosed by PT Bumi Resources Tbk was capable of reducing ambiguity in market interpretation (Kim & Koo, 2023; Serafeim & Yoon, 2023).

From a theoretical perspective, the case of PT Bumi Resources Tbk demonstrates a more substantive form of legitimacy compared with the previous case, as ESG disclosure did not merely function as a form of symbolic communication, but began to be perceived as a relevant representation in evaluating the company's prospects and long-term sustainability. ESG disclosure within this company extended beyond a purely symbolic function and was increasingly accepted by the market as information possessing value within the investor evaluation process regarding corporate performance and future strategic direction. The stability of stock price movements following the publication of the sustainability report does not merely indicate the absence of market reaction, but may instead be interpreted as a form of consolidation of investor expectations supported by the consistency of the ESG information disclosed. This condition suggests that the legitimacy constructed by the company was not solely rhetorical or normative in nature, but possessed a sufficiently strong foundation to be internalized by the market in the formation of investor perceptions. These findings further demonstrate that, within the Indonesian market, variations exist in the level of ESG acceptance across companies, such that market responses are not uniform in character. Accordingly, the findings indicate that market responses are strongly influenced by the manner in which investors evaluate the quality, credibility, and consistency of sustainability disclosure practices implemented by individual companies (Fujikura & Oe, 2023; Park et al., 2023).

This condition further indicates that investors no longer perceive ESG information merely as a symbolic narrative, but increasingly interpret it as a representation directly associated with the company's operational condition, thereby

granting such information a more substantive role within the evaluation process. From this perspective, ESG functions as a bridge between non-financial information and investors' economic expectations, assisting in translating sustainability performance into more rational investment considerations. When ESG scores demonstrate stability or a consistent direction, the market tends to respond through more structured and less volatile patterns due to the greater clarity of signals received by investors. This reflects an increasing level of confidence in the company's strategic direction and future prospects, which ultimately reinforces positive market perceptions. Accordingly, the legitimacy constructed by PT Bumi Resources Tbk demonstrates a substantive dimension that has increasingly gained recognition from investors, such that market responses in this context reflect a deeper level of acceptance toward sustainability-related information (Tsang et al., 2023; Zhang et al., 2023).

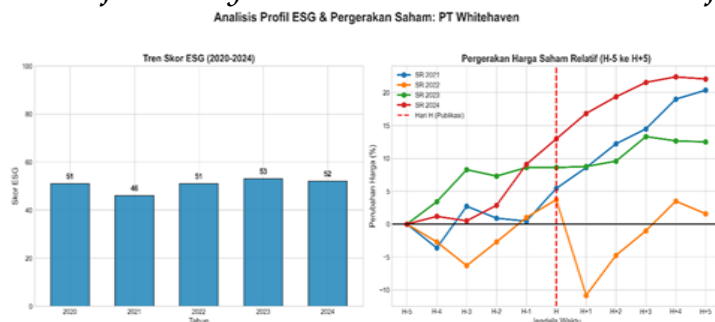
Furthermore, the dynamics observed in PT Bumi Resources Tbk indicate that ESG may function as a reputational mechanism capable of exerting tangible effects on investor perceptions of corporate risk, thereby extending beyond a merely symbolic role toward a more concrete influence on market evaluation. In this context, the stability of stock price movements reflects that the level of risk associated with the company did not experience a significant increase following the publication of the sustainability report, indicating a relatively calm market response. The consistency of ESG scores further reinforced the perception that the company was capable of managing sustainability-related issues in a stable and continuous manner, thereby strengthening investor confidence in the company's performance and long-term prospects. This finding suggests that ESG functions as a mechanism for maintaining balance between perceived risk and investor expectations regarding corporate prospects. Accordingly, sustainability-related information operates as an instrument for preserving market confidence, thereby affirming the importance of ESG as a reputational factor within the capital market context (Ma et al., 2024).

The comparison between PT Alamtri Resources Indonesia Tbk and PT Bumi Resources Tbk demonstrates that market responses toward ESG disclosure are not uniform in nature, but are strongly influenced by the manner in which investors perceive the disclosed information, such that its meaning may vary across corporate contexts. PT Alamtri Resources Indonesia Tbk exhibited a more gradual response pattern alongside an ESG trend that tended to decline over time, whereas PT Bumi Resources Tbk demonstrated a more directional response under relatively stable ESG conditions, thereby providing more consistent signals to the market. These differences affirm that legitimacy is not constructed solely through disclosure activities themselves, but also through historical consistency and market perceptions regarding the quality and credibility of the information presented. Accordingly, ESG does not possess a singular meaning within the market environment, but is instead interpreted differently depending on the conditions and characteristics of each company. Therefore, these dynamics indicate that market responses emerge from a complex interaction between available information and investor perceptions in evaluating corporate performance and prospects (Kim & Koo, 2023; Maccarrone et al., 2024).

Overall, the findings from both Indonesian companies indicate that ESG functions more as a mechanism for the construction and maintenance of corporate legitimacy in the eyes of investors, rather than as a factor that directly triggers drastic short-term stock price changes. In this context, the market does not respond to ESG-related information in a purely reactive or instantaneous manner, but instead through an interpretative process that takes into account the credibility and consistency of the sustainability information disclosed by the companies. This condition suggests that the interpretation of ESG within the Indonesian market remains highly contextual and has not yet been fully integrated as a primary determinant in investor decision-making processes. Accordingly, the environmental legitimacy constructed by the companies operates implicitly in maintaining the stability of investor perceptions toward the firms, without necessarily being reflected in significant stock price movements. Therefore, these findings provide an important analytical foundation for understanding comparisons with the Australian market context, which demonstrates different response characteristics (Firmansyah et al., 2021; Gunawan et al., 2022).

The stock price movements of Whitehaven Coal Limited during the H-5 to H+5 period, as illustrated in Figure III, demonstrate a more responsive pattern compared with the Indonesian companies, thereby indicating a higher degree of market sensitivity toward the publication of sustainability reports. During the pre-publication period, stock prices had already begun to exhibit a clearer directional trend, reflecting that investors were forming more structured expectations regarding the information to be disclosed. This condition is associated with Whitehaven's ESG scores, which ranged between 46 and 53 throughout the 2020–2024 period, displaying a fluctuating yet relatively stable pattern at a moderate level. Such relative stability provided a sufficient informational basis for investors to form expectations prior to publication. When the sustainability report was released, stock price movements appeared more articulated, although not necessarily in the form of extreme spikes. Following publication, price adjustments occurred relatively rapidly, indicating that the market was capable of integrating ESG-related information within a shorter period of time (Serafeim & Yoon, 2023; Zhang et al., 2023).

Figure III. ESG Profile Analysis and Stock Price Movements of Whitehaven



When associated with ESG disclosure practices, Whitehaven Coal Limited demonstrates that sustainability-related information occupies a more central role in shaping investor perceptions compared with the Indonesian context. ESG scores

within the moderate range of 46–53 indicate that the company maintained a relatively consistent level of disclosure, although without exhibiting a strong upward trend. Within a regulatory environment and stakeholder landscape characterized by stricter expectations regarding climate issues and energy transition, sustainability-related information becomes increasingly material to the market. Investors tend to place greater emphasis on the quality of disclosure, particularly on environmental dimensions directly associated with the risks inherent in the coal industry. Accordingly, ESG functions as a more dominant factor in shaping investment decisions. Therefore, the relationship among ESG disclosure, the publication of sustainability reports, and stock price adjustments in the case of Whitehaven Coal Limited appears more evident than in the Indonesian cases (Fujikura & Oe, 2023; Liu et al., 2023).

The speed of stock price adjustments following the publication of the sustainability report indicates that investors within the Australian market process information more rapidly and directly compared with the Indonesian market. This condition suggests that the market possesses a higher degree of efficiency in integrating ESG-related information into stock prices. Although Whitehaven's ESG scores exhibited only relatively moderate improvements, the consistency within this range provided investors with a sufficiently clear reference point for evaluation. As a result, differences in interpretation among investors became relatively smaller, causing stock price movements to appear more directional and structured. Accordingly, ESG has become an integral component of the market evaluation mechanism. These dynamics reflect a more convergent process of meaning construction within the Australian market (Fujikura & Oe, 2023; Khanchel & Lassoued, 2022; Serafeim & Yoon, 2023).

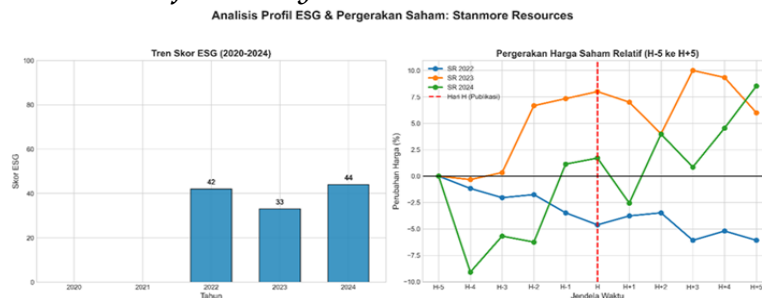
Within the framework of Legitimacy Theory, the case of Whitehaven Coal Limited demonstrates that environmental legitimacy within the Australian market is more demanding than in the Indonesian context, as investors operate within a stricter institutional environment and maintain higher expectations regarding the quality and consistency of sustainability disclosure. ESG scores positioned at a moderate level do not automatically generate positive market responses, but instead must be supported by strong alignment between the claims communicated by the company, the indicators employed within reporting practices, and the operational practices actually implemented in the field. The fluctuation of ESG scores from 46 to 53 indicates that the company experienced ongoing dynamics in sustainability performance, which were not ignored by the market but continued to be critically evaluated by investors in assessing the company's direction and credibility. Within a more mature market environment, investors tend to distinguish more rapidly and accurately whether ESG disclosure functions merely as symbolic communication intended to preserve corporate image or genuinely reflects a substantive commitment toward sustainability. This finding suggests that ESG functions not only as a corporate communication instrument directed toward stakeholders, but also as a market-based selection mechanism used to evaluate corporate credibility and preparedness in responding to environmental pressures. Accordingly, the legitimacy constructed by Whitehaven Coal Limited possesses a more substantive

dimension because it is grounded in a deeper evaluation of the alignment between corporate narratives and operational practices (Khanchel & Lassoued, 2022; Zhang et al., 2023).

The differences between the Indonesian and Australian contexts demonstrate that market responses toward ESG cannot be separated from the influence of institutional environments and the degree of market maturity that shape how investors interpret information, thereby making regulatory characteristics, stakeholder pressures, and market dynamics critical factors within the interpretative process. In the case of Whitehaven Coal Limited, relatively stable ESG scores within a moderate range provided a sufficiently strong and consistent informational foundation, enabling the market to respond to sustainability-related information in a faster, more directional, and more structured manner when forming expectations regarding corporate performance. In contrast, within the Indonesian companies, ESG tended not to provide sufficiently strong short-term signals due to limitations in both consistency and perceived credibility of the disclosed information, resulting in market responses that were more gradual and lacked a clearly defined direction. These conditions indicate that ESG does not possess a universal meaning and cannot be treated as an indicator that functions identically across all markets, but is instead highly dependent upon institutional contexts, market characteristics, and the ways in which investors interpret available information. Accordingly, environmental legitimacy is not formed automatically through disclosure practices alone, but rather emerges from the dynamic interaction between corporations and the institutional environments surrounding them in shaping investor perceptions and trust (Hoffart & Holz, 2024; Pereira et al., 2025).

The stock price movements of Stanmore Resources Limited during the H-5 to H+5 period, as illustrated in Figure IV, demonstrate a responsive yet controlled pattern, indicating that the market responded to the publication of the sustainability report in a relatively rational manner. During the pre-publication phase, stock prices tended to remain stable with only limited indications of expectations regarding the forthcoming disclosure. This condition is associated with Stanmore's ESG scores, which stood at approximately 42 in 2022, declined to 33 in 2023, and subsequently increased to 44 in 2024, thereby reflecting a fluctuating pattern. These fluctuations generated varying signals for investors in forming expectations prior to publication. When the report was published, no extreme price surge occurred; however, directional changes were observed, reflecting a measured market response. Following publication, stock prices adjusted relatively quickly without exhibiting excessive volatility, indicating that ESG-related information was processed efficiently by the market. Accordingly, these dynamics reflect a market environment characterized by high sensitivity while remaining relatively stable (Serafeim & Yoon, 2023; Zhang et al., 2023).

Figure IV. ESG Profile Analysis and Stock Price Movements of Stanmore



When associated with its ESG profile, Stanmore Resources Limited illustrates that the quality of disclosure is more important than the mere quantity of sustainability narratives. The ESG score, which declined significantly from 42 to 33 before increasing to 44, reflects ongoing dynamics in the company's sustainability performance that were not entirely stable. Investors appeared to interpret ESG-related information critically, such that fluctuations in ESG scores were not automatically translated into extreme positive or negative signals. Information that was consistent, measurable, and relevant was more likely to be integrated into perceptions of corporate risk, whereas generic disclosure did not necessarily generate strong stock price responses. Accordingly, the rapid yet non-extreme response observed in Stanmore may be interpreted as an indication that the market recognized the relevance of sustainability-related information while simultaneously filtering its credibility. Therefore, the quality of disclosure emerged as the principal factor influencing market responses (Khanchel & Lassoued, 2022; Zhang et al., 2023).

Furthermore, the stock price movements of Stanmore Resources Limited demonstrate that investors do not evaluate ESG-related information in isolation, but instead incorporate it into a broader and more comprehensive risk evaluation framework, such that the impact of sustainability reports does not stand independently but interacts with various other considerations within investment decision-making processes. In this context, ESG is understood as a strategic element through which the company responds to structural changes occurring within the energy industry, thereby reflecting the direction of the company's long-term adaptation to evolving sectoral dynamics. The increase in ESG scores from 33 to 44 indicates the existence of corporate efforts toward improvement; however, because the scores remained within a moderate range, such improvements were not sufficiently strong to provide genuinely convincing signals to the market. Consequently, stock price movements reflected a balance between sustainability-related information and other fundamental factors, such that no single aspect became the dominant driver of market responses. Accordingly, market reactions tended to remain stable and were not excessively influenced by short-term speculation, ultimately demonstrating that ESG had become integrated as an important component within investor decision-making processes (Serafeim & Yoon, 2023; Zhang et al., 2023).

From the perspective of Legitimacy Theory, the case of Stanmore Resources Limited demonstrates that companies must continuously maintain consistency

between the sustainability narratives communicated to the public and the operational practices actually implemented in order to sustain investor confidence over the long term. The decline and subsequent recovery in ESG scores reflect that legitimacy is not static in nature, but rather dynamic and dependent upon continuous reinforcement through disclosure practices that are credible, transparent, and verifiable. In this context, investors do not merely assess the existence of sustainability reports as formal documents, but also evaluate the extent to which the claims communicated by the company are aligned with operational realities in practice. These conditions indicate that, within the Australian market context, ESG has evolved into an integral component of risk evaluation and corporate reputation formation, rather than functioning merely as a supplementary element of corporate communication. These findings further reinforce the argument that more mature markets tend to generate interpretative processes that are faster, more structured, and more convergent among investors in responding to sustainability-related information (Fujikura & Oe, 2023; Khanchel & Lassoued, 2022; Zhang et al., 2023).

Overall, the findings of this study reveal two principal patterns that highlight differences in the function of ESG in shaping market responses across two distinct national contexts, thereby demonstrating variations in the ways sustainability-related information is interpreted by investors. First, within the Indonesian companies, ESG tended to function as a mechanism for stabilizing investor perceptions, in which market responses remained observable but occurred in a more gradual manner and were not always reflected in sharp stock price movements at the time of publication. Second, within the Australian companies, ESG appeared to function as a stronger signal that was processed more rapidly by the market, such that the information communicated through ESG disclosure exerted a more direct influence on stock price movements. These differences indicate that the meaning of ESG is not universal in nature, but is instead shaped by institutional environments, levels of market maturity, and the intensity of legitimacy pressures faced by companies within each context. Accordingly, ESG should be understood as part of a broader social process within the capital market, as its role extends beyond merely providing information to also shaping investor perceptions and market responses (Hoffart & Holz, 2024; Pereira et al., 2025).

The findings of this study are consistent with previous literature suggesting that ESG disclosure may influence market responses, although with varying degrees of intensity depending on the contextual environment, thereby indicating that such relationships are not uniform across different conditions. Prior studies have likewise emphasized that the quality of disclosure constitutes a critical factor in determining how investors interpret sustainability-related information, as the completeness and credibility of disclosed information significantly affect investor confidence. The findings of this study further demonstrate that institutional context substantially mediates this relationship, such that differences in regulatory frameworks, social norms, and levels of market development play important roles in shaping investor responses. Accordingly, ESG does not exert a uniform impact across all markets, as its influence is highly dependent upon the environmental conditions within which companies operate. Therefore, this study extends existing understanding regarding

the role of contextual factors in influencing market responses, while also providing a more comprehensive perspective on the relationship between stock price dynamics and the publication of sustainability reports (Khanchel & Lassoued, 2022; Pandey et al., 2024; Serafeim & Yoon, 2023).

Within the framework of Legitimacy Theory, these findings demonstrate the distinction between symbolic legitimacy and substantive legitimacy within a cross-country context, reflecting variations in the ways companies obtain and maintain social acceptance, as well as differences in how legitimacy is interpreted within diverse economic and regulatory environments. Companies in Indonesia tend to utilize ESG as an instrument for maintaining social acceptance without generating direct effects on stock prices, thereby positioning ESG more as a symbol of compliance and an effort to preserve corporate image in the eyes of the public rather than as a factor that genuinely influences market investment decisions. In contrast, within the Australian context, ESG more strongly reflects a form of legitimacy that carries tangible market consequences, as ESG-related information is responded to more seriously by investors and becomes integrated into evaluations of corporate performance that may ultimately influence stock price movements more directly. These findings indicate that legitimacy is dynamic in nature and strongly influenced by external pressures, including regulatory frameworks, investor expectations, and varying levels of market awareness regarding sustainability issues across countries, all of which shape differing forms of legitimacy. Accordingly, ESG functions as a communication medium between companies and investors through which corporations convey their commitments, values, and responsibilities concerning environmental, social, and governance issues, while simultaneously serving as a bridge for building trust and positive market perceptions (Amos, 2024; Park et al., 2023).

Within the framework of Legitimacy Theory, these findings are closely related to the phenomenon of the global energy transition, which has encouraged coal companies to enhance transparency and accountability in sustainability disclosure while simultaneously adjusting business practices to increasingly stringent standards. Investors have become progressively more attentive to transition risks in their investment decision-making processes, such that changes in energy policies, environmental pressures, and potential market shifts have emerged as central considerations in evaluating corporate prospects. Consequently, ESG has become an important factor in assessing corporate sustainability because it provides a broader representation of non-financial performance relevant to long-term business continuity. In this context, stock price dynamics reflect corporate adaptation to changes within the business environment alongside market responses toward ESG-related information. Accordingly, ESG has evolved into an integral component of corporate strategy in responding to global pressures while simultaneously maintaining competitiveness and strengthening long-term investor confidence (Bolton & Kacperczyk, 2021; Ilhan et al., 2023).

The findings of this study further demonstrate that capital markets operate not solely on the basis of informational efficiency, but also through processes of social interpretation toward available information, such that market mechanisms are

determined not merely by objective data, but also by the ways in which such information is understood by market participants. Stock prices reflect the outcome of interactions among data, investor perceptions, and market expectations, which collectively shape evaluations of corporate value and influence investment decision-making within the market. This condition explains the variations in market responses across companies and countries, as each context possesses distinct characteristics, levels of understanding, and degrees of sensitivity toward the same information. Accordingly, ESG possesses a symbolic dimension in addition to its informational function, as it not only conveys data but also shapes corporate perceptions and reputational images in the eyes of investors. Therefore, an interpretative approach becomes particularly relevant for understanding market dynamics, especially in explaining how meanings and perceptions influence the behavior and responses of market participants (Park et al., 2023; Tsang et al., 2023).

Overall, this study demonstrates that the relationship between environmental legitimacy and market dynamics is inherently complex and contextual, such that the connection between the two cannot be explained in a simplistic manner because it is influenced by various factors that differ across institutional environments. ESG disclosure does not directly determine stock price movements, but instead influences investor perceptions regarding corporate risk and future prospects, which subsequently shape investment decision-making within the market. Cross-country differences further emphasize the importance of institutional context in interpreting ESG, as each country possesses distinct regulatory frameworks, social norms, and levels of market awareness concerning sustainability issues. Accordingly, disclosure strategies must be aligned with the characteristics of each market in order for the information conveyed to remain relevant and effective in influencing investor perceptions. Therefore, this study contributes both theoretically and empirically to the understanding of the relationship between ESG and capital markets, while simultaneously enriching the literature concerning the role of non-financial factors in shaping market dynamics (Hoffart & Holz, 2024; Serafeim & Yoon, 2023)

CONCLUSION

This study demonstrates that market responses toward ESG disclosure among coal issuers are contextual in nature and are influenced by the ways investors interpret information within different institutional environments, thereby enabling the research objective of understanding stock price dynamics within the framework of environmental legitimacy to be comprehensively explained through an interpretative approach. Within the Indonesian context, ESG tended to function as a mechanism for stabilizing investor perceptions in a gradual manner, whereas within the Australian context ESG operated as a stronger signal that was responded to more rapidly by the market due to stricter regulatory pressures and higher stakeholder expectations. These findings affirm that stock prices do not merely reflect objective information, but also represent the outcome of collective evaluations concerning the credibility, consistency, and relevance of sustainability disclosure. The novelty of this study lies in the integration of an interpretative approach with the analysis of stock price dynamics within an event-window framework, combined with a cross-country

comparison that positions legitimacy as a dynamic construction shaped by institutional contexts and market perceptions. Accordingly, this study addresses gaps within the existing literature, which has largely been dominated by quantitative approaches, by providing a more contextual understanding of how ESG is interpreted within capital markets.

The practical implications of this study indicate that companies need to emphasize the quality and credibility of ESG disclosure so that it functions not merely as a symbolic communication instrument, but also as a representation that is trusted by investors in evaluating energy transition risks. Investors may utilize ESG-related information as a more comprehensive evaluation tool in assessing corporate sustainability, particularly within industries characterized by high environmental pressures such as the coal sector. Nevertheless, this study is subject to several limitations, including the limited number of samples and the absence of systematically incorporated narrative excerpts from sustainability reports that could further strengthen the qualitative analysis. In addition, the approach employed in this study did not statistically test causal relationships, thereby limiting the generalizability of the findings. Accordingly, future research is recommended to combine interpretative approaches with quantitative analysis while expanding the use of qualitative data derived from corporate narratives in order to generate more comprehensive and in-depth understandings of the relationship between ESG disclosure and market dynamics..

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