

## Article

# Environmental, social, and governance (ESG) in Indonesia: Analyzing sustainability reports

Syarifuddin Syarifuddin<sup>1</sup>, Lim Ying Zhee<sup>2</sup>, Uruqul Nadhif Dzakiy<sup>1</sup>, Abdul Fadli Kalaloi<sup>1</sup>, Mahir Pradana<sup>1,\*</sup>

<sup>1</sup> Department of Business Administration, Telkom University, Bandung, West Java, 40257, Indonesia

<sup>2</sup> Department of Accounting, Multimedia University, Cyberjaya, Malaysia

\* **Corresponding author:** Mahir Pradana, [mahirpradana@telkomuniversity.ac.id](mailto:mahirpradana@telkomuniversity.ac.id)

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**Abstract:** This study provides a descriptive analysis of data extracted from Environmental, Social, and Governance (ESG) and sustainability reports across diverse industries and regions. Using a sample of corporate reports over the past five years, the study aims to summarize and interpret trends, variability, and distribution patterns in key ESG indicators. Data was collected and standardized to ensure consistency, then categorized into environmental, social, and governance dimensions to facilitate detailed analysis. Descriptive statistics were computed to summarize trends, while cross-sectional and trend analyses highlight sectoral and regional variations. Results reveal common and emergent ESG practices, along with areas where disclosure and performance vary significantly across sectors. The findings underscore the critical need for standardized ESG reporting frameworks to enhance comparability and transparency in corporate sustainability practices. This study's main goal is to examine how Environmental, Social, and Governance (ESG) issues are disclosed in sustainability reports that Indonesian businesses publish. The purpose of this study is to determine sectoral disparities, appraise the influence of ESG practices on investment decisions and business reputation, and examine the scope and caliber of ESG activities in relation to worldwide norms. This study provides stakeholders with valuable insights into current ESG reporting practices and identifies gaps for potential improvement in alignment with evolving regulatory standards and stakeholder expectations.

**Keywords:** environment; social; governance; Indonesia; trend analysis; sustainable

## 1. Introduction

ESG refers to a comprehensive approach to sustainability factors in the analysis and decisions of investors and companies in the industry (Yawika & Handayani, 2019). Environment, Social, and Governance (ESG) performance activities are interrelated with company activities that will have an impact on society, and the company must be responsible for it, or at least the company contributes to the community and environment affected by its activities (Nurim et al., 2022). ESG activities have another implication that companies need to maintain a good reputation or adjust to the expectations of their stakeholders. Therefore, ESG performance can create high company value (Henisz et al., 2019). The three pillars of ESG (environment, social, and governance) are interconnected and influence each other in running a business (Henisz et al., 2019). For example, the company's efforts to comply with environmental regulations not only have an impact on the physical environment but also involve social aspects such as employee working conditions and the company's reputation. In addition, companies also need to have good governance to ensure that their commitment to sustainability is carried out effectively. Company operations have

an impact on society, and companies must be responsible for it, or at least companies contribute to the society and environment affected by their activities (Yuliarni et al., 2023).

However, companies in Indonesia are still lagging behind in implementing business activities based on ESG principles because ESG score management in Indonesia is relatively low, so to support the implementation of ESG by companies, the Indonesia Stock Exchange published the ESG Leaders Index as support and encouragement for companies to implement ESG (Nareswari et al., 2023). The ESG Leaders Index aims to encourage the implementation of sustainable investment in Indonesia, following other countries. The 2019 summer meeting also discussed this issue and explicitly stated that ESG has a significant role in business risk and long-term value (World Economic Forum, 2020). This implies that good governance produces high-quality financial reporting. However, shareholders also need non-financial reporting that shows the possibility of management avoiding financial risks in accordance with stakeholder interests influencing reporting patterns. The term environmental, social, and governance (ESG) has become important in both management practice and research (Zulazli et al., 2017). The implementation of strong ESG principles can be the key to success for companies in expanding their business, both into new and existing markets. When companies demonstrate a strong commitment to environmental, social, and good governance, governments and communities tend to trust them more (Hendrayati et al., 2019). This trust opens up new business opportunities, such as business licenses and access to resources. In addition, ESG can also save companies costs in the long term. For example, by managing natural resources efficiently, companies can reduce production costs. Employees will also be more interested in working for companies that have strong ESG values, thereby increasing productivity and reducing operational costs related to labor. ESG is not just a trend but a smart business strategy.

By implementing ESG, companies not only contribute to sustainable development but also gain significant business benefits. The implementation of ESG performance is expected to produce better performance, especially in sustainable performance. In addition, the ESG index is more needed because it is only a measurement that cannot explain company activities comprehensively (Qoyum et al., 2022). Research on the effect of ESG performance on economic performance in developing countries is still minimal, especially in Indonesia where it is rarely found (Qoyum et al., 2022). This study's main goal is to examine how Environmental, Social, and Governance (ESG) issues are disclosed in sustainability reports that Indonesian businesses publish. The purpose of this study is to determine sectoral disparities, appraise the influence of ESG practices on investment decisions and business reputation, and examine the scope and caliber of ESG activities in relation to worldwide norms.

## **2. Review of Literature**

### **2.1. Environment, Social, and Governance (ESG)**

The implementation of Environmental, Social, and Governance (ESG) principles has been proven to have a significant positive impact on company performance.

Research shows that companies with high ESG scores tend to have better financial performance, including increased profit margins and the ability to survive in crisis situations such as the pandemic (Qoyum et al., 2022). In addition, ESG also contributes to improving the company's reputation in the eyes of the public and strengthening relationships with various stakeholders. By prioritizing environmental, social, and good governance aspects, companies not only make positive contributions to society and the environment but also create added value for long-term business. Research from (Garcia & Orsato, 2020) shows that companies from developed countries operating in controversial sectors have better ESG performance than companies from other sectors, while most companies from developing countries do not seem to care enough about disclosing or accounting for the socio-environmental impacts of their operations. Information on ESG performance can be obtained from annual reports, official websites, and professional rating agencies (Trisnowati et al., 2022).

## **2.2. Environment**

In the context of ESG, “environment” refers to all aspects of the natural environment that are affected by a company’s business activities (Nareswari et al., 2023). This includes the direct and indirect impacts of a company’s operations on ecosystems, natural resources, and overall environmental quality such as energy use, natural resource management, waste production, and greenhouse gas emissions (Henisz et al., 2019). All of these activities have an impact on the environment and the desire to live on earth, so that environmental and social quality desires are increasingly being incorporated into corporate strategies (Garcia & Orsato, 2020; Henisz et al., 2019). The implementation of good environmental practices in a company’s operations can minimize the risk of financial losses due to pollution problems that can impact the environment, society, and the company’s reputation (Yawika & Handayani, 2019).

## **2.3. Social**

The social principle (S) in ESG highlights a company's social responsibility towards society. This includes fair employment practices, diversity and inclusion in the workplace, and contributions to community well-being (Nabila et al., 2024). In other words, this social aspect measures the extent to which a company has a positive impact on the surrounding community (Henisz et al., 2019). There has been a paradigm shift where companies are not only seen as business entities but also as part of society. This encourages companies to be more active in social activities (Nareswari et al., 2023). By carrying out social responsibility voluntarily, companies not only fulfill their obligations to society but can also avoid legal sanctions, increase operational efficiency, and reduce costs associated with handling customer complaints (Yawika & Handayani, 2019).

## **2.4. Governance**

Governance (G) in ESG principles refers to the internal system related to the framework that governs how a company operates, is managed, and interacts with

stakeholders (Winarno & Silvianita, 2024). This includes organizational structure, decision-making systems, oversight mechanisms, and compliance with laws and business ethics. Good governance ensures that the company is managed in a transparent, accountable, and responsible manner towards all stakeholders because, by having good governance, it can ensure business continuity (Henisz et al., 2019; Yawika & Handayani, 2019). According to the National Committee on Governance Policy, there are five main principles that must be upheld by a company in order to be said to have good governance, namely transparency, accountability, responsibility, independence, and fairness (Nareswari et al., 2023). Based on research from (Rose, 2007), when a company states that there is diversity in its corporate governance structure, this indicates that the company has different perspectives and expertise. This diversity shows the company's commitment to considering the interests of all stakeholders in running its business. The right governance structure and process will make it easier for companies to develop strategies that are not only beneficial to the company but also good for the environment and society (Yawika & Handayani, 2019). By implementing these principles, companies can build trust from all stakeholders, improve company performance, and contribute to sustainable development.

### **3. Methodology**

This study examines several ESG and sustainability reports in several companies and various sectors in Indonesia. The sectors observed are finance, banking, plantations, and energy. The reports used are those that were published in 2023. We use a systematic analytical approach to analyze the descriptive data of sustainability and Environmental, Social, and Governance (ESG) reports in order to fully comprehend the patterns and features of the data. There are several steps involved. First, we locate and collect information from trustworthy sources, including industry publications, corporate ESG and sustainability reports, and reputable ESG rating databases (e.g., Bloomberg, MSCI). To guarantee representativeness, the sample consists of a wide variety of businesses, industries, or geographical areas. Predetermined selection criteria include temporal scope, report thoroughness, and industry relevance. Finally, in order to identify patterns and shifts in ESG practices, we examine reports from a certain period of time (for example, the last five years).

In order to ensure consistency across different report formats, collected data is standardized to match recognized ESG measures. To determine if businesses have demonstrated advancement, stagnation, or regression in particular areas, we evaluate temporal changes in ESG indicators. To draw attention to differences in ESG performance, cross-sectional comparisons are made between industries, geographical areas, or business sizes. Metrics that are often reported and those that are less common are identified by calculating the frequency and distribution of ESG-related activities and policies. In order to identify common practices, distinctive approaches, or developing topics in sustainability reporting, we look at trends in ESG practices. To help with a more intuitive understanding, the distribution and patterns in the data are visually represented using graphs, tables, and charts (Negara et al., 2024). The primary objective of this study is to analyze the disclosure of Environmental, Social, and Governance (ESG) factors in sustainability reports published by Indonesian

companies. This research aims to evaluate the extent and quality of ESG practices and their alignment with global standards, identify sectoral differences, and assess the impact of these practices on corporate reputation and investor decisions. The study adopts a content analysis approach. Sustainability reports from selected companies will be evaluated using an ESG disclosure framework.

We acknowledge any data limitations, such as biases due to voluntary disclosure practices, to ensure the findings are interpreted within context. This methodology allows for a robust analysis of descriptive data from ESG and sustainability reports, providing insights into both current practices and potential areas for improvement in corporate ESG reporting.

## 4. Findings

After analyzing five ESG reports from various companies in Indonesia, we came to the following conclusions:

### First Company

We conducted several analyses of the company's ESG reports using the framework in **Figure 1**. The following analysis was obtained.



**Figure 1.** ESG Report in First Company.

### Policy & Strategy

The company establishes clear guidelines and regulations to guide its ESG initiatives. These policies are aligned with the company's overall strategy, ensuring that ESG considerations are integrated into all aspects of its operations.

### Program Execution

The company develops specific programs and initiatives to address ESG challenges and capitalize on opportunities. These programs are implemented, and their progress is closely monitored to ensure that they achieve the desired results.

### Performance Monitoring

Key Performance Indicators (KPIs) are established to measure the effectiveness of ESG initiatives. The company periodically assesses its performance against these KPIs to identify areas for improvement and celebrate successes.

#### Publication & Rating

The company publishes regular reports that disclose its ESG performance and progress. The company participates in external ESG ratings and assessments to obtain independent validation of its efforts.

#### Second Company

We conducted several analyses of the company's ESG reports using the framework in **Figure 2**. The following analysis was obtained.



**Figure 2.** ESG Report in Second Company.

#### Environment Standards

Conducting pollution prevention and waste management that focuses on the company's efforts to minimize pollution and waste production, including proper waste disposal and pollution control measures. Furthermore, conducting biodiversity conservation that releases the company's commitment to protecting biodiversity and ecosystems, such as through habitat preservation and conservation initiatives. Natural resource management and energy efficiency that assesses the company's use of natural resources and its efforts to improve energy efficiency, reduce its environmental footprint. The last is climate change mitigation and adaptation, and disaster risk which aims to measure the company's actions in reducing greenhouse gas emissions, adapting to the impacts of climate change, and managing risks associated with natural disasters.

#### Social Standards

Employment and work environment standards in the field carry out company practices related to employee rights, workplace safety, and the development of a positive work environment. In addition, there are also standards for diversity, equality,

inclusivity, and access that assess the company's commitment to promoting diversity and inclusion in the workforce and ensuring equal opportunities for all employees. Finally, the social interest standard that measures the company's contribution to the community in which it operates, such as through social programs and philanthropic initiatives.

#### Governance Standards

There is a cultural heritage that preserves the respect and preservation of cultural heritage by the company in the area where the company operates. Next is leadership and governance, which will assess the quality of leadership, governance practices, and ethical behavior of the company. The last risk is control, which will measure the company's ability to identify, assess, and manage risks, including financial, operational, and reputational risks.

#### Third Company

We conducted several analyses of the company's ESG reports using the framework in **Figure 3**. The following analysis was obtained.



(Source: PwC Indonesia, ESG in Indonesia: Access to Finance 2023)

**Figure 3.** ESG Report in Third Company.

### Environment

Climate sustainability by reducing carbon footprint and mitigating climate change. Implementing effective waste management practices to minimize environmental impact. Responsible use and conservation of natural resources. Investing in innovative solutions to address environmental challenges.

### Social

Prioritizing employee development, well-being, and diversity. Ensuring ethical and sustainable practices throughout the supply chain and engaging and supporting local communities. Fostering diversity and inclusion within the organization.

### Governance

Implementing transparency by providing clear and transparent information to stakeholders. Adhering to the principles of good corporate governance, including implementing measures to prevent and combat corruption. Managing risk effectively to protect the long-term value of the company.

### Fourth Company

We conducted several analyses of the company's ESG reports using the framework in **Figure 4**. The following analysis was obtained.



**Figure 4.** ESG Report in Fourth Company.

### Environment

Establishing a climate change strategy by committing to develop strategies to address climate change, such as developing a climate risk strategy, implementing carbon emissions management, and prioritizing green banking as part of the decarbonization strategy.

### Social

Empowering communities that aim to have a positive impact on society through various initiatives such as promoting financial inclusion, upholding human rights and social responsibility, and strategic workforce planning.

### Governance

Maintaining good corporate governance by focusing on ensuring ethical and responsible practices such as sustainable financial products & strategies, governance & compliance, board & stakeholder governance, and risk & control environment.

### Fifth Company

We conducted several analyses of the company's ESG reports using the framework in **Figure 5**. The following analysis was obtained.



(Source: PwC Indonesia, ESG in Indonesia: Access to Finance 2023)

**Figure 5.** ESG Report in Fifth Company.

### Environment

As a major producer of palm oil, the company is committed to sustainable palm oil practices. This includes responsible land use, minimizing deforestation, protecting biodiversity, and reducing greenhouse gas emissions. Managing waste from their operations, including reducing waste production, recycling, and responsible disposal. Efficient water use and minimizing water pollution will be priorities.

### Social

Companies in the palm oil industry are often involved in community development programs in the areas where they operate. These programs can include support for education, healthcare, and infrastructure development. Fair labor practices, safe working conditions, and opportunities for employee development are important aspects of their social performance. Responsible land acquisition and respect for the rights of local communities are important considerations in the palm oil industry.

### Governance

The company emphasizes transparent reporting and accountability in its governance practices. Strong anti-corruption policies and procedures are essential to ethical business conduct. Effective risk management, including identifying and mitigating ESG-related risks, is critical to long-term sustainability.

## 5. Discussion

Overall, the five companies in Indonesia demonstrated a focus on ESG, with varying degrees of emphasis on different pillars. Environmental priorities such as climate sustainability, waste management, and natural resource conservation were common themes across the companies. All companies addressed social issues, including employee well-being, community engagement, and diversity (Widodo et al., 2024). Governance practices, including transparency, risk management, and ethical behavior, were emphasized by most companies (Alfan et al., 2023). Despite these

common themes, companies demonstrated different approaches to implementing ESG initiatives, reflecting their specific industry, size, and operating environment. The ESG explanations of the five companies above demonstrate a commitment to ESG and a structured approach to integrating sustainability into their business operations. By following these steps, companies aim to improve their environmental impact, make positive contributions to society, and improve their governance practices. The data suggests that Indonesian companies are becoming more aware of the importance of ESG and are taking steps to integrate sustainability into their operations (Uzliawati et al., 2023). While progress has been made, there is still room for improvement in certain areas, such as measuring and reporting ESG performance and strengthening stakeholder engagement. An effective ESG strategy requires a tailored approach that takes into account the specific context of each company.

## 6. Conclusion

To achieve sustainable investment, a holistic approach is necessary. This framework combines elements from various sustainability frameworks, focusing on environmental, social, and governance factors. It emphasizes a long-term perspective, stakeholder engagement, and continuous improvement. For investors, this means using ESG rating agencies, conducting due diligence, and engaging with companies to encourage sustainable practices. Companies should develop comprehensive ESG strategies, integrate ESG into decision-making, and report transparently. Policymakers play a crucial role in creating a supportive regulatory environment, investing in sustainable technologies, and promoting public-private partnerships. By following this integrated framework, investors, companies, and policymakers can contribute to a more sustainable and resilient economy.

Descriptive analysis of sustainability and ESG reports provides important information on reporting patterns and business sustainability strategies. Both improvements and inconsistencies in sustainability reporting are highlighted by our results, which demonstrate significant heterogeneity in the performance and disclosure of ESG criteria across industries and geographical areas. Sector-specific goals and regulatory requirements are reflected in the varying levels of attention and maturity across key ESG aspects, including as environmental impact, social responsibility, and governance structure. The study emphasizes how crucial it is to create standardized ESG standards in order to increase openness and comparability among business reporting. Furthermore, the patterns show that although some companies are making quantifiable strides in their ESG initiatives, many still struggle to provide thorough, reliable data. In order to promote accountability and empower stakeholders to make well-informed decisions based on trustworthy and comparable sustainability data, this study emphasizes the necessity of continuous development in ESG disclosure standards. Strong ESG reporting must be a top priority for businesses as stakeholder and regulatory expectations continue to change in order to foster confidence and advance long-term sustainability objectives.

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curation, SS; writing—original draft preparation, MP; writing—review and editing, AFK; visualization, SS; supervision, LYZ; project administration, MP; funding acquisition, SS. All authors have read and agreed to the published version of the manuscript.

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