

Evaluation of Environment, Social, and Governance (ESG) Implementation at PT XYZ

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ABSTRACT

Sustainability issues have encouraged companies to integrate Environmental, Social, and Governance (ESG) principles into their business strategies, including in the banking sector. This study aims to evaluate ESG implementation at PT XYZ from a management perspective that includes perceived benefits, strategies and initiatives, as well as challenges and outlook. The study used a single case study qualitative approach with semi-structured interview techniques to nine informants who have direct responsibility for ESG implementation. Data were analyzed thematically and strengthened by stakeholder and legitimacy theories. The results show that ESG implementation has provided real benefits, especially in social and governance aspects, such as improved reputation, customer loyalty, and transparency. However, the contribution of environmental aspects is still limited and ESG impact measurement is not yet systematic. The main challenges come from internal coordination, limited resources, and regulatory uncertainty. PT XYZ is considered to need to strengthen its ESG organizational structure, improve cross-functional training, and adopt a digital system for sustainability reporting. This study provides practical insights for other financial institutions that are pioneering ESG integration and enriches understanding of ESG as a strategy for legitimacy and stakeholder engagement.

Keywords: Environmental, Social, and Governance (ESG); Management Perspective; Perceived Benefits

Evaluasi Penerapan Environment, Social, And Governance (ESG) pada PT XYZ

ABSTRAK

Isu keberlanjutan telah mendorong perusahaan untuk mengintegrasikan prinsip Environmental, Social, and Governance (ESG) ke dalam strategi bisnis, termasuk di sektor perbankan. Penelitian ini bertujuan untuk mengevaluasi implementasi ESG pada PT XYZ dari perspektif manajemen yang mencakup perceived benefits, strategi dan inisiatif, serta tantangan dan pandangan ke depan. Penelitian menggunakan pendekatan kualitatif studi kasus tunggal dengan teknik wawancara semi-terstruktur kepada sembilan informan yang memiliki tanggung jawab langsung terhadap pelaksanaan ESG. Data dianalisis secara tematik dan diperkuat dengan teori stakeholder serta legitimasi. Hasil menunjukkan bahwa implementasi ESG telah memberikan manfaat nyata, khususnya pada aspek sosial dan tata kelola, seperti peningkatan reputasi, loyalitas pelanggan, dan transparansi. Namun, kontribusi aspek lingkungan masih terbatas dan pengukuran dampak ESG belum sistematis. Tantangan utama berasal dari koordinasi internal, keterbatasan sumber daya, serta ketidakpastian regulasi. PT XYZ dinilai perlu memperkuat struktur organisasi ESG, meningkatkan pelatihan lintas fungsi, dan mengadopsi sistem digital untuk pelaporan berkelanjutan. Studi ini memberikan wawasan praktis bagi lembaga keuangan lain yang sedang merintis integrasi ESG dan memperkaya pemahaman tentang ESG sebagai strategi legitimasi dan keterlibatan pemangku kepentingan.

Kata Kunci: Environmental, Social, and Governance (ESG); Perspektif Manajemen; Perceived Benefits.

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INTRODUCTION

In recent decades, sustainability issues have increasingly attracted global attention as the threat of climate change, environmental degradation, and social inequality increases (Rohinun, 2024). The business world, which was previously only oriented towards achieving short-term financial profits, has begun to shift towards business strategies that consider social and environmental impacts as part of long-term success. Amid global crises such as global warming, exploitation of natural resources, and pressure from increasingly environmentally conscious consumers, the concept of Environmental, Social, and Governance (ESG) was born as a new approach that integrates sustainability aspects into business decision making. ESG assessments include three main aspects, namely efficiency (profit, sustainability, and integration), resilience (sustainable development, operations, and governance), and social responsibility (environment, social impact, and compliance) (Rohman et al., 2024). In Indonesia, ESG adoption has begun to receive serious attention through the issuance of Financial Services Authority Regulation (POJK) No. 51 of 2017 which requires financial services institutions, issuers, and public companies to implement sustainable finance. This policy is reinforced by the presence of Presidential Regulation No. 111 of 2022 concerning the implementation of achieving sustainable development goals. These regulations reflect that the implementation of ESG in Indonesia is no longer an option, but a necessity that is in line with the direction of national development.

The banking sector plays a strategic role in supporting the transition to sustainable development. The banking sector is able to facilitate environmentally friendly strategies, reduce climate risks, and support economic recovery by diverting funds to sectors that are sensitive to climate change (Sharma & Choubey, 2022). Therefore, the bank's commitment to the principle of sustainability will greatly affect the achievement of sustainable development goals. The implementation of ESG directly affects the company's profitability (Safiudin & Ningtyas, 2024). Banks that consistently implement ESG are considered more resilient in facing market pressures, regulations, and consumer demands that are increasingly critical of ethical and sustainability issues. In addition, the implementation of ESG also increases the credibility of banks in the eyes of investors, especially institutional investors who now prioritize sustainability in their investment strategies. The importance of ESG in the banking sector is also reflected in the direction of financial regulator policies in Indonesia. The Financial Services Authority (OJK) has developed a Sustainable Finance Roadmap that directs all financial services institutions to internalize ESG principles in every business decision-making.

Although national regulations and global demands have encouraged companies to adopt ESG principles, the practice of implementing them in the field still faces various challenges. Based on the Indonesia Environment & Energy Center, the challenges of implementing ESG in Indonesia are lack of awareness and understanding, limited resources and infrastructure, less supportive business culture, and immature regulations and policies (Sakti, 2024). These conditions indicate that the implementation of ESG in the Indonesian banking sector is still in a transitional stage where commitment to sustainability has begun to grow, but has not been fully accompanied by the organization's ability to implement ESG.

Nevertheless, companies continue to strive to implement strategies and initiatives that can be carried out such as financing environmentally friendly projects and Green products where funds will be distributed to projects that support energy efficiency and sustainable development, diversity and inclusion, social responsibility and community empowerment, and good governance through ethical leadership.

ESG research in banking has grown rapidly, both conceptually and empirically. Several previous studies have examined the effect of ESG on profitability, legitimacy, brand image, and reporting compliance. Consistent ESG implementation can increase profitability, retain the best employees, and tend to be more resistant to laws and regulations because they have followed the standards that apply (Safiudin & Ningtyas, 2024). In addition, other benefits of ESG implementation include increased operational efficiency and better access to capital (Pangaribuan & Idrianita, 2024). Research from Banks in India also confirms that there is a positive relationship between green banking initiatives, trust, and brand image (Sharma & Choubey, 2022). However, the environmental aspect in ESG is the component with the lowest score in Indonesian banking, indicating low attention to environmental issues. Even stakeholders do not believe that regulated environmental practices and certain investment decisions will provide good financial returns in the future (Gutiérrez-Ponce & Wibowo, 2023). In terms of reporting, large banks such as Himbara and BSI use ESG reporting indicators to maintain legitimacy, although there are still topics that have not been fully accommodated (Chandra & Shauki, 2024). Meanwhile, other studies show that the level of conformity of ESG disclosure in sustainability reports in several banks is still below 50%, so the quality of ESG reporting information is questionable (Fajri et al., 2021).

Most previous studies still focus on scoring sustainability report disclosures (Fajri et al., 2021) or Green Banking initiatives on trust and brand image (Sharma & Choubey, 2022). However, there has been no research in Indonesia that focuses on ESG disclosure and its relationship to current performance and future performance plans for the company. ESG practices have challenges related to communication gaps between stakeholders, lack of awareness, and the lack of green banking image in the community, which shows that this research is important to conduct. PT XYZ is one of the national banks in Indonesia that is included in the category of Bank Group Based on Core Capital (KBMI) 1. This bank has built an ESG strategy in three phases, namely the consolidation, consolidation, and development phases, which describe the stages of ESG integration into the company's organizational structure and operations. As a bank that has prepared a sustainability report since 2020 and adopted the principles of sustainable finance, PT XYZ has the right characteristics to be a case study in evaluating ESG implementation from a management perspective. This study aims to evaluate ESG implementation at PT XYZ from a management perspective. The study will understand how management interprets the benefits of ESG implementation (perceived benefits), how ESG strategies and initiatives are formulated and implemented in the company's operations, as well as the challenges and obstacles faced during the process. The study is expected to be an input for PT XYZ and

other banking companies in strengthening the ESG management system, not only as regulatory compliance, but as a strategic element that can increase competitiveness, operational efficiency, and relationships with stakeholders.

RESEARCH METHODS

This study uses a qualitative approach with a single case study (Gustafsson, 2017; Yona, 2006). The object of this study is the implementation of ESG principles at PT XYZ. Respondents in this study involved several employees and management who became Person in Charge (PIC) as shown in **Table 1**. The selected respondents have a direct understanding of ESG policies and responsibility for implementing sustainability programs at PT XYZ, so their perspectives reflect the actual conditions in implementing ESG in the company.

Table 1. Research Respondent Demographics

Respondent Code	Division	Gender	Working Period
N1	Risk Management & Compliance	Man	>10 Year
N2	Corporate Planning	Man	>10 Years
N3	Corporate Secretary	Woman	>5 Years
N4	Finance & Accounting	Man	>10 Years
N5	Human Capital	Man	>10 Years
N6	Corporate Communication and Industrial Relation	Man	>5 Years
N7	Business Product Development	Man	>5 Years
N8	Information Technology	Woman	>5 Years
N9	Risk Management Work Unit	Woman	>5 Years

Source: Research Data, 2025

Primary data were obtained through semi-structured interviews with respondents. Semi-structured interview guidelines were prepared based on the focus and objectives of the study. These guidelines were developed to explore information from three aspects, namely management perceptions of ESG benefits (perceived benefits), ESG strategies and initiatives formulated and implemented by the company, and implementation constraints and future outlook on strengthening ESG. Each aspect is further divided into several indicators that reflect environmental, social, and governance elements, and are designed to identify the relationship between ESG implementation and company performance. Meanwhile, secondary data were obtained from various relevant documents, such as sustainability reports, annual reports, sustainable finance action plans (RAKB), and other supporting documents containing information related to the company's ESG. The data obtained will be further examined regarding the reliability of the information obtained (Sulung & Muspawi, 2024). This study uses the results of interviews, sustainability reports, annual reports, and RAKB to support data triangulation. A combination of primary and secondary instruments is used to strengthen data interpretation and increase the reliability of the findings.

Data analysis in this study was conducted using a thematic analysis approach, which aims to identify patterns of meaning from interview data and collected documents (Rozali, 2022). This approach was chosen because it is in accordance with the characteristics of qualitative research that emphasizes an in-

depth understanding of the social context, experiences, and perceptions of research subjects. The analysis process is carried out in several stages. The first stage is carried out by transcribing interviews to ensure the integrity of the information obtained from informants. Furthermore, the data will be understood to review in more depth what happened based on the parties interviewed. The next process is the coding process where researchers will identify important parts of the narrative that are relevant to the focus of the research using keywords that appear directly from the informants (in vivo coding). The coding results are grouped into main themes related to the perception of ESG benefits, ESG strategies and initiatives, and challenges and outlooks. These themes are then analyzed interpretively by linking them to stakeholder theory and legitimacy theory.

RESULTS AND DISCUSSION

The interview results showed that most respondents had a good understanding of ESG activities at PT XYZ. Respondents from related divisions such as Risk Management, Corporate Secretary, and Corporate Planning stated that ESG activities have become part of their work duties and responsibilities, including sustainability reporting to regulators. The activities mentioned include social programs such as scholarships for employees' children, visits to orphanages, and visits to well-performing customers. One respondent, N3 (Corporate Secretary), said; *"Of course we know the list of activities carried out related to sustainability reporting, including ESG. Examples of regular activities carried out include scholarships for employees' children, conducting customer visits which we usually call serving days to customers with good credit performance, and there are also visits to orphanages."*

These findings indicate that ESG is not only viewed as an administrative obligation, but also as an activity that has become part of daily operational practices. According to (Chandon et al., 2000), perceived benefit is an individual's positive perception of the results obtained from an action. The implementation of ESG provides benefits that are directly felt by employees and management, especially in terms of understanding the importance of sustainability. Statement N1 (Risk Management & Compliance), *"The positive thing is that we are definitely not subject to sanctions, because we report in full to the regulator, so our obligations are fulfilled"*. ESG activities such as financial literacy, social activities, and environmental campaigns are also considered to contribute to increasing customer loyalty and expanding market reach.

ESG implementation at PT XYZ is also understood as a means to build and maintain institutional legitimacy. Based on the theory of legitimacy (Suchman, 1995), organizations must act in accordance with social norms, values, and expectations in order to be accepted and trusted by their environment. PT XYZ, through compliance with regulations set by the OJK and publication of ESG activities to the public, shows a strategic effort to strengthen legitimacy both procedurally and socially. In order for ESG implementation at PT XYZ to evolve from a compliance approach to a more proactive sustainability strategy, the development of relevant Key Performance Indicators (KPIs) and a consistent impact measurement system is needed. This step will allow the company to communicate the sustainability value created more transparently, while strengthening relationships with stakeholders and building a reputation as an

entity that is not only compliant, but also progressive in building a sustainable future.

Based on the environmental aspect, some respondents stated that PT XYZ has implemented energy efficiency and paperless policies. These efforts include the use of LED lights, restrictions on the use of bottled water, and document digitization. This is reinforced by the statement of N6 (Corporate Communication and Industrial Relations), *"Actually, it can be seen for operational efficiency in terms of paperless, although the cost reduction is still said to be minimal. But there have been efforts to provide an appeal so that documents can be directed to digital, so they do not use paper. Other savings, for example, the use of tumblers or drinking bottles, in the meeting room, water kettles are now provided instead of bottled water. So there must be costs that have decreased from these activities."*

The financial benefits of this initiative have not been seen significantly as conveyed by N4 (Finance & Accounting), *"Actually I don't know clearly about this"*. Operational costs related to the environment are still fluctuating and do not reflect a consistent efficiency trend (Table 2). This finding is in line with the view of (Setiawati & Hidayat, 2023) who stated that sustainability reporting practices for a large number of companies still tend to be a formality to comply with regulations, rather than being a strategic driver in achieving comprehensive company performance. Although in practice PT XYZ has made efforts to increase the efficiency of energy and utility use, through appeals to turn off electronic devices and lights after use, the use of LED-type energy-saving lamps, and the efficiency of fuel oil use. However, this implementation has not shown consistent results in controlling operational costs. Respondents also indicated the need for a more systematic environmental impact measurement system so that companies can optimize savings and show real contributions to environmental sustainability. As emphasized by the ISO 14001 framework and the Triple Bottom Line concept, a systematic environmental impact measurement system is needed so that PT XYZ's efficiency initiatives are not only procedural, but also provide measurable contributions to reducing operational costs and achieving sustainability targets in real terms.

Table 2. Environmentally Related Costs

Description	Unit	2024	2023	2022	2021
Electricity	GJ	4918.71	4064.26	3800.79	4555.57
Energy Intensity	GJ	0.00590	0.00530	0.00460	0.00350
Electricity	Million Rupiah	1973.90	1726.83	1614.89	1645.36
Fuel	Million Rupiah	2074.64	1829.00	1305.18	999.16
Emission	Ton Co2eq	1079.38	891.88	834.06	1070.56
Water Usage Cost	Million Rupiah	99.88	83.07	94.72	63.93
ATK Usage Cost	Million Rupiah	362.22	261.36	211.33	195.56

Source: PT XYZ Sustainability Report, 2023

Based on the interview results, most respondents stated that the implementation of ESG in the social aspect has made a positive contribution to the work environment and the company's relationship with the community. Respondent N6 emphasized that diversity in the work environment can enrich perspectives, increase productivity, and create a healthier and more dynamic work

atmosphere. In accordance with N5's statement, "As employees, if the work environment is inclusive, they will feel involved, feel needed, I think this can be their motivation". This is reinforced by N7's confession, "Inclusion initiatives, employees try to give their best performance. With employees who try to increase their knowledge, they will also try to make the company better known to customers with the target of customer"

In addition to creating a supportive work environment, social activities such as financial literacy, community empowerment programs, and visits to local communities are considered to help increase brand awareness and customer loyalty. N6 also assessed that ESG social activities have become an important part of the company's identity and indirectly support the achievement of non-financial and financial targets, "Through social activities such as blood donation, distribution of takjil, providing literacy education and financial inclusion to agents and also the merchant community as well as socialization and seminars related to Understanding Financial Reports attended by Journalists from various mass media provide benefits not only in one direction. We provide benefits to the community and the surrounding community, our company is also increasingly known and increases the number of customers". The application of this social principle is in line with the legitimacy theory which states that a company's involvement in social issues is perceived as a responsible action that strengthens the company's social legitimacy (Suchman, 1995). This finding is also in line with the study of (Sharma & Choubey, 2022) which emphasizes that social initiatives can strengthen brand credibility and customer loyalty.

PT XYZ has integrated diversity initiatives into its business operations. The company demonstrates a strong commitment to the principles of equality and justice by ensuring that there are no discriminatory practices based on ethnicity, race, religion, or gender. This principle is implemented consistently throughout the human resource management cycle, from the recruitment stage of prospective employees, to career development opportunities and/or job promotions for employees who have joined. The work environment created has also respected diversity (diversity climate). This is in line with the theory (Wolfson et al., 2011), an environment that respects diversity has a positive effect on job satisfaction, employee retention, and organizational commitment. PT XYZ also demonstrates a strong commitment to ethical and responsible employment practices. The company firmly ensures that no workers under the age of 18 are involved in all lines of its business activities and guarantees that there are no forced labor practices in all its work environments (Table 3). This commitment reflects the company's compliance with international and national labor standards, as well as upholding human rights in its operations.

Table 3. Number of Employees Based on Gender and Age at PT XYZ

Description	2024			2023			2022		
	Man	Woman	Total	Man	Woman	Total	Man	Woman	Total
>=50 Years	58	16	74	55	16	71	45	16	61
40 - <50 Years	286	74	360	270	56	326	233	48	281
30 - <40 Years	287	187	474	314	188	502	308	177	485
20 - <30 Years	126	132	258	136	128	264	103	121	224
Total	757	409	1166	775	388	1163	689	362	1051

Source: PT XYZ Sustainability Report, 2023

PT XYZ pays significant attention to the development of its employees' competencies through various training programs. These programs include mandatory training (to meet regulations or industry standards), functional training (to improve specific job-related skills), and soft skills training (to develop interpersonal and professional abilities). PT XYZ also shows its seriousness in realizing equality and fairness through investment in the development of its human resources. This is reflected in the training and development programs offered to all employees. In 2024, the company recorded a total of 70,970 hours of training provided to employees. On average, each employee receives around 60.87 hours of training per year to support employee competency development. Secondary data also indicates a significant upward trend from year to year in the number of employee developments facilitated by PT XYZ (Table 4). PT XYZ has shown a strong commitment to implementing various social activities as part of fulfilling its ESG responsibilities and sustainability reporting. In addition, it is important to strategically integrate these activities with the company's business objectives, so that they can produce more tangible and measurable perceived benefits for PT XYZ, both in terms of reputation, stakeholder relations, and potential long-term operational efficiency.

Table 4. Number of Employee Development

Description	Unit	2024	2023	2022	2021	2020	2019
Number of employees	Person	1166	1163	1051	894	950	766
Training Hours	Hours	70970	9829	8950	8918	5146	2838
Average Training per Employee	Hours	60.9	8.5	8.5	10	5.4	3.7
Employee Development Cost	IDR Billion	9.9	6.1	6.4	2.9	2.2	5.6

Source: PT XYZ Sustainability Report, 2023

In terms of governance, respondents highlighted that good governance practices increase transparency and accountability. Based on the results of interviews with respondents, the implementation of good corporate governance (GCG) principles at PT XYZ has a significant role in increasing the company's transparency and accountability. Documented work procedures, a uniform internal reporting system, and the existence of a whistleblowing mechanism are concrete examples of the company's commitment to strengthening governance. *"Good governance certainly increases transparency, accountability too. For example, there is an SOP on social, environmental and integrated governance risks for credit/financing in the green sector. There is also a whistleblowing system that allows employees and other parties to report unethical or illegal actions without fear of retaliation. This increases accountability and addresses potential problems that may occur"* (N9).

In addition to improving the quality of decision-making, good governance also mitigates legal and reputational risks, and strengthens the company's competitiveness. Statement by N3, *"The company is better and more structured and reduces the legal, credit and reputational risks that may be experienced because it is more compliant."* This finding is in line with (Kumar et al., 2024) which states that good corporate governance practices bridge the information gap between companies and stakeholders. From a stakeholder theory perspective, strong governance is a form of responsibility to various internal and external stakeholders, as well as an important pillar in creating long-term sustainability.

PT XYZ management demonstrates a strong understanding and high commitment to the integration of ESG principles into the company's strategy. ESG is no longer considered merely administrative compliance, but has become an integral part of the bank's overall business plan. ESG strategy is seen as a fundamental need that supports long-term business sustainability. This statement was conveyed by N3 and N9, *"ESG must be implemented in line with the company's strategy. Every activity carried out must provide sustainability benefits to all stakeholders."*, *"It is important because the implementation of ESG will have a good impact in terms of decision making"*. This is in line with stakeholder theory (Freeman & Reed, 1983) which states that the success of an organization is highly dependent on its ability to manage relationships with diverse stakeholders. In addition, this approach strengthens the company's legitimacy as explained in the legitimacy theory (Suchman, 1995), which states that organizations must operate within a framework of values and norms accepted by society in order to maintain their existence and public trust. *"ESG strategy must be aligned with the bank's overall plan. Integrating ESG into the business plan allows the bank to identify, measure, and manage these risks more holistically and proactively, thereby protecting the company's value and reducing potential losses"* (N2). Findings from respondents' statements indicate a strong understanding of the existence of ESG strategy, initiatives, and targets implemented by PT XYZ. This confirms that ESG implementation is no longer just an option, but a fundamental and inseparable aspect of the company's operations.

On the other hand, various ESG initiatives (**Table 5**) that have been implemented by PT XYZ reflect the company's real commitment to providing positive impacts not only financially, but also socially and environmentally. Financial inclusion programs, sustainable financing development, and employee training and empowerment are part of the ESG strategy that continues to be developed. Respondents noted that these initiatives have brought benefits such as increasing the number of customers, strengthening brand image, and building public trust in the company. *"The financial impact certainly increases assets and increases bank income. Non-financially, it leads to increasing partners, increasing the number of customers, collaborating with the US Corporation to advance MSMEs which has an impact on the company's increasingly positive brand image"* (N1). This shows that ESG not only has an internal impact, but also strengthens public perception, which is important for the sustainability and reputation of financial institutions. In other words, the company does not only implement ESG as an obligation, but also as a value-added strategy that supports inclusive and sustainable business growth.

Table 5. Three Main Initiatives of PT XYZ

Description	2020	2021	2022	2023	2024
Organization and strategies of sustainable finance	Phase 1 - Consolidation	Phase 2 - Establishment		Phase 3 - Development	
Products/services development of sustainable finance	<ol style="list-style-type: none"> 1. Preparing organizational tools, policies, and sustainable finance models; and 2. Strengthening institutions and establishing sustainable finance structures. 				
Developing the Bank's internal capacity through sustainable finance programs and initiatives	<ol style="list-style-type: none"> 1. Review of sustainable risk policy, identification and measurement of social and environmental risks; 2. Gap analysis on products/services, policies, procedures, and current governance; and 3. Adjustment on products/services, policies, procedures, and governance based on sustainable finance principles. 				
	<ol style="list-style-type: none"> 1. Automation/digitization of process and operations for efficiency; and 2. The Bank's internal capacity development. 				

Source: PT XYZ Roadmap Document, 2019

However, the ESG target setting at PT XYZ still tends to be oriented towards fulfilling regulations, such as reporting to the Financial Services Authority (OJK), and has not been fully directed at measurable strategic objectives. "The implementation of ESG at PT XYZ is still merely to fulfill regulations and is not yet too strict because the focus has not been directed at specific targets" (N2). Although the company has started implementing tools such as the Green Calculator to measure ESG impact, its implementation is still in its early stages and does not fully reflect ESG's contribution to achieving broader sustainability performance. "Measurement of achievement using the Green Calculator, but because the green calculator is being socialized and will only be implemented in 2025, it can only be checked regarding monitoring that will be seen in 2026" (N3). Stakeholder trust indicators are still measured reflectively through the number of partners and customers, not in the form of systematic metrics. "There is no indicator of increasing stakeholder trust. But maybe it can be seen from the increase in the number of partners and the increase in the number of customers. That could be a reflection of trust in this company" (N9). In this context, stakeholder theory is relevant again because it emphasizes the importance of building trust and ongoing communication with all stakeholders. PT XYZ is advised to set more specific and measurable ESG targets in order to make a real contribution to the Sustainable Development Goals (SDGs) while strengthening the company's legitimacy in the eyes of the public.

The implementation of ESG at PT XYZ is inseparable from various challenges that arise from both internal and external factors. From the internal side, difficulties in coordination across work units, limited human resources who have adequate understanding of ESG, and minimal data available in a structured manner are the main obstacles. In addition, many employees are faced with a double workload, so that attention to sustainability reporting is still divided. The initial process of implementing ESG was also hampered by unclear indicators,

assumptions of invalid data, and a lack of awareness of the importance of sustainability. *"The initial obstacle was confusion about where to start. There are no clear boundaries and specific benchmarks. And employees here also do not have the competencies related to ESG and the preparation of sustainability reports"* (N1). However, the company has shown improvements through the formation of an ESG work unit, strengthening internal coordination, and improving communication between teams.

From the external side, PT XYZ faces regulatory uncertainty and differences in ESG assessment standards between institutions. This creates confusion in the reporting process and makes it difficult for the company to determine the right method to measure and convey sustainability impacts. In addition, some technical provisions such as the use of environmentally friendly fuels create additional costs that are not always feasible to implement in the short term. *"Yes, there are, for example, the use of fuel if it follows ESG should use a certain RON fuel, but the constraint is from the financial side where the use of recommended fuel will increase the nominal cost of the company, so this is an obstacle in implementing ESG to meet regulations"* (N9). The availability of data from external partners and third parties is also a challenge in itself in preparing accurate and comprehensive ESG reports. *"The challenge is consolidation between sections and the time required to implement ESG"* (N4).

Regarding evaluation and control efforts, PT XYZ has involved a special work unit tasked with monitoring the implementation of ESG and evaluating any delays or deviations from the reporting plan. *"Cooperation with consultants is only to provide advice for the development of future ESG programs"* (N3). However, obstacles such as time constraints, unsynchronized data, and administrative burdens still affect the effectiveness of the control. *"So far, for the evaluation, internal meetings have been held with related parties, looking at those that have not met the deadline, and making commitments to comply with the fulfillment of the report. However, there has been no significant impact from the control carried out because it is still hampered by the building and data collection"* (N4). Therefore, respondents emphasized the need for additional training, a more focused work structure, and a more efficient reporting mechanism. *"More training can be carried out that provides time for the work units on duty to coordinate to minimize possible obstacles"* (N1).

In terms of technology, ESG reporting at PT XYZ is still manual and email-based. *"Still not there, because the reporting and management are still conventional. Obtaining information and making reports still use email"* (N1). The absence of a special technology system makes the data collection and analysis process less efficient, and has the potential to cause the risk of errors. Although currently ESG reporting needs can still be managed conventionally, companies realize the importance of adopting digital solutions in the future to support improving reporting quality and work efficiency.

The forward-looking view conveyed by respondents stated that PT XYZ needs to carry out structural strengthening so that ESG can be implemented strategically and not only for compliance. Recommendations that emerged include the formation of a special ESG division, increasing cross-functional training, and recruiting professionals with sustainability competencies. *"Maybe we can separate the sustainability division. So it's not representatives from each division that are made into a work unit but a special division is needed that has skills related to ESG and sustainability"*

reporting so that it focuses on dealing with matters related to this" (N5). This approach is considered important so that ESG implementation becomes part of the company's long-term strategy, which is able to encourage innovation, strengthen reputation, and make a real contribution to sustainable development goals. The success of ESG implementation cannot be achieved simply by meeting formal standards. Systemic improvements are needed from the organizational side, human resources, and the use of technology to ensure that ESG can be a strategic tool in creating sustainable economic, social, and environmental value (Barghini et al., 2024; Haislip, 2025; Lavorato et al., 2025). PT XYZ is currently in an important phase to move from an administrative approach to strategic and proactive ESG integration.

CONCLUSION

PT XYZ has demonstrated an initial commitment to adopting ESG. PT XYZ has formally implemented ESG as a form of regulatory compliance. However, most management realizes that ESG implementation also provides real benefits, especially in social and governance aspects. These benefits include improving the company's image, employee motivation, customer loyalty, and strengthening transparency and accountability. However, the benefits in the environmental aspect have not shown a significant financial impact, and the company does not yet have a systematic ESG impact measurement system. In terms of ESG strategy, management realizes that ESG strategy must be aligned with the bank's overall business plan. Management is active in implementing various ESG initiatives and has shown positive impacts both financially and non-financially. Environmental impact management, diversity, and human rights programs are running well and continue to be developed. Digitalization is also one of the initiatives aimed at making it easier for customers and improving the company's image. However, the ESG targets set are still oriented towards complying with regulations. Management has not yet set more specific and measurable ESG targets outside of reporting obligations. Measurement of the success of ESG implementation is also still in the development stage, with stakeholder trust indicators that have not been clearly defined. In addition, ESG implementation faces a number of challenges both internally and externally. Internally, obstacles include limited human resources, double workload, less than optimal cross-divisional coordination, and the quality and limited access to company data. Externally, challenges arise from unclear standards from regulators. PT XYZ has also not adopted a special technology system to support ESG reporting, which is currently still done manually. The management's forward-looking view underlines the importance of transforming ESG from merely a regulatory obligation to a proactive corporate strategy. A more focused organizational structure is needed, such as the establishment of a special ESG division, increased ESG training, and the use of technology to strengthen the accuracy and efficiency of sustainability reporting. This study provides an understanding of how banking sector management interprets ESG not only as compliance, but as a means to build legitimacy and strategic relationships with stakeholders. The findings from this case study also provide practical insights for other financial institutions that are in the early stages of ESG implementation.

This study has several limitations such as the number of respondents is only nine people who may not be able to fully represent the overall management perspective at PT XYZ. This study was only conducted at one institution, namely PT XYZ, so the conclusions drawn cannot be generalized to other banks at the same level. Therefore, further research is recommended to involve more respondents from the general management ranks, including directors and commissioners in order to obtain more in-depth information and broader perspectives. In addition, future research can add other variables outside of perceived benefits, strategies and challenges, and conduct comparative studies between ESG implementation at PT XYZ and other similar banks to identify differences in approach and success. The use of mixed methods is also recommended to obtain a more comprehensive and measurable understanding of ESG practices in the banking sector.

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