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ESG DISCLOSURE IN THE SUSTAINABILITY REPORTS OF INDONESIAN BANKS 2022

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Abstract : *The increasing global emphasis on Environmental, Social, and Governance (ESG) principles has led to heightened expectations for corporate transparency and accountability, particularly in the banking sector. ESG disclosure in sustainability reports serves as a key instrument in ensuring that banks integrate sustainable finance practices into their operational and investment strategies. However, variations in ESG rating methodologies and reporting frameworks present challenges in assessing the credibility and comprehensiveness of ESG disclosures. This study examines the extent of ESG disclosure in the sustainability reports of Indonesian banks, comparing the practices of state-owned and private banks. Using content analysis, this research evaluates ESG disclosures based on 31 indicators derived from the International Finance Corporation (IFC) ESG Framework. The findings indicate that while some banks provide structured ESG disclosures, many still lack depth and quantitative detail, with key environmental and governance aspects often underreported. The results also highlight a correlation between ESG disclosure and bank size, where larger banks tend to have more structured and transparent sustainability reports. Additionally, ESG disclosure levels in sustainability reports are found to align with bank rankings in the IDX ESG Leader Index, suggesting a potential relationship between voluntary disclosure practices and external ESG assessments. This study contributes to the ongoing discourse on ESG reporting standards by advocating for more standardized, comprehensive, and globally aligned ESG disclosures in the Indonesian banking sector. The research provides recommendations for regulators, investors, and banks to enhance ESG transparency, reduce greenwashing risks, and strengthen the credibility of sustainability reports.*

Keywords*: ESG Disclosure, Sustainability Reports, Banking Sector, IFC ESG Framework, IDX ESG Leader, Content Analysis*

1. Introduction

In recent decades, global awareness of sustainability and corporate social responsibility has increased significantly, encouraging various industries to pay greater attention to Environmental, Social, and Governance (ESG) aspects in their business strategies. ESG has become increasingly relevant in the context of the global financial system, as it aims not only to enhance corporate transparency and accountability but also to support sustainable finance, which contributes to a low-carbon and socially inclusive economy (Schoenmaker & Schramade, 2019). In the banking industry, ESG plays a central role in guiding financing and investment policies that are not only economically beneficial but also have positive environmental and social impacts (Busch et al., 2021).

One of the primary challenges in ESG implementation is the lack of uniformity in its rating and reporting systems. Currently, many ESG rating agencies operate independently and use different methodologies, often without sufficient transparency regarding how ESG scores are assigned to a company or financial institution (Chatterji et al., 2016). Most ESG ratings are conducted by private companies, which in some cases, may have conflicts of interest with their clients or use subjective evaluation methods (Berg et al., 2022). This creates uncertainty for investors and other stakeholders in assessing the extent to which a bank genuinely implements ESG in its business practices (Doyle, 2018).

Amid the inconsistencies in ESG rating systems, ESG disclosure in sustainability reports serves as a crucial instrument for ensuring corporate transparency. A comprehensive sustainability report provides insights into how banks manage ESG-related risks and opportunities, as well as how they contribute to sustainable finance (Khan et al., 2020). However, in practice, many sustainability reports remain generic, normative, and lack quantitative data, failing to provide a clear picture for stakeholders (Eccles et al., 2019). Some banks even use sustainability reports as a mere strategic communication tool (greenwashing) without truly integrating ESG into their business processes (Delmas & Burbano, 2011).

In the banking sector, the differences between state-owned and private banks in ESG disclosure are also a subject of debate. State-owned banks are often driven more by government policies and regulatory requirements, whereas private banks have greater flexibility in formulating their ESG strategies based on market pressures and investor interests (Lins et al., 2017). These differences may result in variations in transparency levels and the depth of ESG disclosure in the sustainability reports of these two types of banks.

To address the challenge of objective ESG measurement, a more systematic academic approach is needed to assess ESG disclosure in bank sustainability reports. One possible method is using ESG indicator frameworks developed by the International Finance Corporation (IFC). IFC has established 10 indicators for the environmental (E) aspect, 11 indicators for the social (S) aspect, and 10 indicators for the governance (G) aspect, which can serve as an objective benchmark for assessing ESG disclosure in sustainability reports (IFC, 2021). By adopting this indicator-based approach, ESG analysis can be conducted more comprehensively, rather than relying solely on non-transparent ESG ratings.

This article aims to analyze the extent to which state-owned and private banks disclose ESG information in their sustainability reports and whether their disclosures align with indicators developed in academic literature. By adopting the IFC ESG Framework-based approach, this study is expected to provide a more objective evaluation of the quality and transparency of bank sustainability reports, as well as offer recommendations for regulators, investors, and academics in developing more accurate and reliable ESG assessment standards.

2. Theoretical Framework

1. Stakeholder Theory

In academic discussions on Environmental, Social, and Governance (ESG), stakeholder theory serves as one of the primary theoretical frameworks explaining why companies, including banks, need to disclose sustainability-related information in their reports. Stakeholder theory was first introduced by Freeman (1984), who argued that companies are not only accountable to shareholders, but also to various stakeholders involved in their operations, including employees, customers, suppliers, communities, regulators, and investors.

In the context of ESG, stakeholder theory asserts that companies must manage relationships with stakeholders transparently and accountably, especially concerning the environmental and social impacts generated by their activities (Donaldson & Preston, 1995).

Banks, as financial institutions with significant influence on the economy and environment, must ensure that they do not solely pursue short-term profits but also consider the long-term impact of their financing and investment activities on society and the environment. Therefore, ESG disclosure in sustainability reports serves as an essential mechanism for banks to demonstrate their responsibility toward stakeholders and ensure their long-term business sustainability (Freeman et al., 2020).

ESG disclosure in sustainability reports can also be used as a trust-building and legitimacy tool for companies in the eyes of stakeholders. When banks disclose how they manage environmental risks, social impacts, and corporate governance, they not only enhance their reputation but also strengthen relationships with investors, who are increasingly considering ESG factors in their investment decisions (Eccles & Serafeim, 2013).

2. Sustainability Reports in the Global and National Context

A sustainability report is a document published by companies to disclose information about their economic, environmental, and social impacts, as well as their strategies for managing sustainability challenges. In the global context, ESG disclosure standards have not yet reached broad consensus, with various organizations developing their own guidelines for sustainability reporting.

Some of the major ESG reporting standards widely used at the global level include:

- Global Reporting Initiative (GRI), which focuses on corporate economic, social, and environmental impacts.
- Sustainability Accounting Standards Board (SASB), which emphasizes industry-based ESG disclosures to support investor decision-making.
- Task Force on Climate-related Financial Disclosures (TCFD), which directs companies to disclose how they manage risks and opportunities related to climate change.
- International Sustainability Standards Board (ISSB), which is currently developing more integrated global standards with corporate financial reports.

However, due to the absence of universal ESG standards, many companies use a combination of these frameworks in their sustainability reports, leading to variations in the format and depth of ESG disclosures across industries and jurisdictions (OECD, 2020). Although in June 2023, the International Sustainability Standards Board (ISSB) issued the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), which serves as the core framework for disclosing material information about sustainability-related risks and opportunities across an entity's value chain, and the Climate-related Disclosures (IFRS S2), which is the first thematic standard setting out requirements for entities to disclose information about climate-related risks and opportunities, these standards have not yet become mandatory.

In Indonesia, the Financial Services Authority (OJK), through POJK No. 51/POJK.03/2017, mandates banks and financial institutions to publish sustainability reports as part of the implementation of sustainable finance. This regulation requires banks to disclose information about their sustainability strategies, ESG policies, and initiatives undertaken to support sustainable development (OJK, 2017).

However, despite the regulatory mandate for sustainability reporting, challenges remain in its implementation. Some banks still report ESG in a normative manner, without including quantitative metrics and clear targets, while others have begun to adopt international standards in their reporting. With increasing attention from regulators and investors toward ESG, banks in

Indonesia need to adopt more transparent and globally standardized reporting practices to remain competitive in the international market.

3. Measuring ESG Disclosure in Sustainability Reports

According to the IFC ESG Guidebook (2021), ESG (Environmental, Social, and Governance) aspects consist of three main categories, each with indicators that can be used to assess a company's sustainability performance.

Environmental (E)

This category assesses how companies manage their environmental impact, either directly or indirectly through their products and services.

1. Climate Change: Refers to how a company’s activities contribute to climate change, including carbon emissions and mitigation efforts such as reducing the carbon footprint.
2. Carbon Management: Covers corporate strategies for managing and reducing greenhouse gas emissions, including the use of renewable energy and energy efficiency.
3. Resource Depletion: Assesses how a company utilizes natural resources and whether they have strategies to manage resource consumption sustainably.
4. Pollution: Evaluates the environmental impact of industrial waste, air pollution, water pollution, and soil contamination caused by corporate operations.
5. Energy Consumption: Examines the efficiency of energy use within the company and whether they transition to cleaner and renewable energy sources.
6. Land Use: Evaluates how a company manages land use, including its impact on ecosystems and sustainable development practices.
7. Loss of Biodiversity: Refers to the impact of a company’s activities on local ecosystems and species.
8. Water Consumption: Measures how efficiently a company uses and manages water resources in its operations.
9. Waste Management: Evaluates corporate strategies for waste management, including recycling and reducing hazardous waste.
10. Innovations or Products that Reduce Environmental Impact: Highlights corporate efforts to develop environmentally friendly technologies or products.

Social (S)

This aspect focuses on how companies treat their workforce, communities, and other stakeholders.

1. Job Creation and Working Conditions: Evaluates how companies create jobs and ensure decent working conditions for employees.
2. Equal Opportunity: Refers to corporate policies on gender, racial, and employment opportunity equality.
3. Diversity: Assesses the level of workforce diversity, including minority representation and inclusion policies.
4. Training: Evaluates whether companies provide training and skill development programs for their employees.
5. Impacts on Local Communities: Measures how corporate activities affect surrounding communities, both economically and socially.
6. Health and Safety: Assesses corporate workplace safety standards, employee health protection policies, and overall occupational safety measures.

7. Child and Forced Labor in Supply Chains: Evaluates whether companies have policies to prevent child labor and forced labor in their supply chains.
8. Grievance Mechanisms: Refers to corporate systems for handling complaints from employees, suppliers, and other stakeholders.
9. Human Rights: Assesses whether companies have policies in place to respect and protect human rights in their operations.
10. Social Impact of Products, Services, or Corporate Operations: Measures how a company's products or services impact society.
11. Gender-based Violence and Harassment: Evaluates corporate policies to prevent and address cases of gender-based violence and harassment in the workplace.

Governance (G)

This aspect focuses on how companies implement good governance principles, transparency, and accountability in decision-making.

1. Purpose, Values, and Corporate Culture: Assesses whether the company has a vision, mission, and values that reflect a commitment to sustainability.
2. Board Diversity, Structure, and Oversight: Evaluates whether the corporate leadership structure reflects diversity and whether an effective oversight system is in place.
3. Succession Planning: Refers to corporate strategies for ensuring leadership continuity and smooth management transitions.
4. Executive Pay: Assesses corporate policies on executive compensation and whether they align with sustainability performance.
5. Internal Controls: Evaluates the internal control systems in place to prevent fraud and operational errors.
6. Risk Governance: Refers to corporate policies for identifying, managing, and mitigating business risks.
7. Ethics and Compliance: Assesses the extent to which companies implement ethical standards and comply with applicable regulations.
8. Shareholder Rights: Evaluates corporate policies for protecting shareholder rights, including decision-making transparency.
9. Governance of Stakeholder Engagement: Refers to how a company engages with stakeholders and considers their perspectives in business strategies.
10. Disclosure and Transparency: Evaluates how well a company discloses relevant information to the public, including financial and sustainability reports.

The IFC (2021) ESG indicators provide a structured framework for companies to manage sustainability issues. By using these indicators, companies can systematically and transparently measure and report their ESG performance. Furthermore, adopting these indicators enables investors and stakeholders to conduct a comparative analysis of ESG performance across different companies. This framework serves as an essential tool to enhance the credibility and effectiveness of sustainability reports across various sectors, including financial services such as banking.

4. The Importance of ESG Disclosure in the Context of Transparency and Accountability

ESG disclosure in sustainability reports plays a crucial role in enhancing corporate transparency and accountability. Through clear, data-driven disclosure, companies can demonstrate to stakeholders how they manage sustainability-related risks and opportunities.

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ESG transparency enables investors to assess the extent to which companies integrate sustainability into their operations, while ESG accountability ensures that companies take responsibility for their environmental and social impacts (Eccles et al., 2019).

Additionally, ESG disclosure has economic benefits. Studies indicate that companies with transparent ESG disclosures tend to have lower capital costs, broader access to financing, and lower litigation risks compared to those that lack transparency in their ESG reports (Giese et al., 2021).

With rising expectations from regulators and stakeholders regarding ESG, banks in Indonesia must improve the quality of their ESG disclosures to strengthen investor trust, ensure regulatory compliance, and contribute to sustainable development.

5. ESG Stock Indices

The Indonesia Stock Exchange (IDX) has developed several Environmental, Social, and Governance (ESG)-based indices to facilitate investors in selecting stocks of companies committed to sustainable business practices (IDX, 2021). The relationship between ESG stock indices and ESG disclosure in sustainability reports can be explained through several key aspects: ESG indices serve as performance evaluation tools, incentives for companies to enhance ESG transparency, and indicators for investors to assess risks and opportunities in sustainable investment.

Although ESG indices and sustainability reports serve different purposes, they are interconnected in reflecting a company's commitment to and performance in ESG. ESG indices evaluate ESG performance based on investment risks and opportunities, whereas sustainability reports provide transparency and detailed information on ESG policies and implementation.

In practice, ESG indices encourage companies to be more transparent in ESG disclosure, as being included in an index enhances corporate reputation and broadens investment opportunities. Strong sustainability reporting increases a company's chances of being included in an ESG index, particularly when its disclosure adheres to internationally verifiable standards. However, ESG indices do not always reflect the depth of disclosure in sustainability reports, as index selection focuses more on ESG risk management and its impact on stock value.

The following is an overview of ESG indices available on IDX:

a. IDX ESG Leaders This index measures the stock price performance of companies with strong ESG ratings, free from significant controversies, and demonstrating financial and transaction liquidity. ESG ratings and controversy analyses are conducted by Sustainalytics. The index follows a Capped Free Float Market Capitalization Weighted Average and ESG Tilt Factored methodology, with a maximum stock weighting of 15%. Companies included in this index are regularly evaluated to ensure compliance with set criteria.
b. ESG Sector Leaders IDX KEHATI Launched on December 20, 2021, this index includes stocks with ESG performance above the sectoral average and with strong liquidity. Industry classification follows the IDX Industrial Classification (IDX-IC). This index is a collaboration between IDX and the KEHATI Foundation, aimed at encouraging companies in every industrial sector to improve their ESG performance.
c. ESG Quality 45 IDX KEHATI This index comprises 45 top-performing stocks based on ESG assessments and financial quality, with high liquidity. Like the ESG Sector Leaders IDX KEHATI, this index is also developed in collaboration with the KEHATI Foundation. Its goal is to provide guidance for investors seeking stocks with strong ESG performance and sound financial fundamentals.

d. IDX LQ45 Low Carbon Leaders This index aims to reduce the carbon emission intensity exposure in investment portfolios by at least 50% compared to the LQ45 index, which serves as its benchmark index. The methodology involves sector weight adjustments based on carbon intensity and excludes companies in the coal industry, as classified under IDX-IC. This index supports investors interested in low-carbon investments.
e. SRI-KEHATI
This index measures the stock price performance of 25 publicly listed companies that exhibit strong performance in sustainable business practices and demonstrate environmental, social, and corporate governance awareness. Managed in collaboration with the KEHATI Foundation, the SRI-KEHATI index has served as a benchmark for ESG investments in the Indonesian capital market since its launch in 2009.

With these various ESG indices, IDX provides investors with tools to evaluate and select companies that offer not only financial returns but also positive contributions to environmental and social well-being through responsible business practices.

3. Research Methodology

This study employs content analysis to evaluate the extent of ESG disclosure in the sustainability reports of banks in Indonesia. Content analysis is a qualitative and quantitative research method used to identify patterns, meanings, and the level of information transparency in a given document or text (Krippendorff, 2018). In this study, content analysis is applied to assess the transparency and comprehensiveness of ESG disclosure in bank sustainability reports based on predefined indicators.

The study sample consists of nine bank sustainability reports from Indonesia for the year 2022, covering state-owned and private banks that have published sustainability reports in compliance with Financial Services Authority (OJK) regulations and other sustainability reporting standards. The selection of these reports is purposive, considering that the sampled banks have adopted ESG practices and have published sustainability reports. The nine banks analyzed in this study are: Bank BRI; Bank Mandiri; Bank BNI; Bank BCA; Bank Mega; Bank Danamon; Bank Maybank Indonesia; Bank Niaga; dan Bank OCBC NISP.

In this study, content analysis categorizes ESG disclosures into three main aspects: Environmental (E), Social (S), and Governance (G). Each aspect contains a set of indicators that have been adjusted based on the ESG framework developed by the International Finance Corporation (IFC, 2021). In total, 31 indicators are used in this research, consisting of 10 environmental indicators, 11 social indicators, and 10 governance indicators.

Within the Environmental, Social, and Governance (ESG) framework developed by the IFC (2021), some indicators are more relevant to resource-intensive industries such as manufacturing or natural resource extraction than to banking. Consequently, in the application of ESG in the banking sector, some indicators may be deemed less relevant and can be excluded or adapted to better align with the characteristics of financial services industries. The following are several ESG indicators across three categories that may be classified as less relevant or requiring adjustments for the banking sector:

Table 1. Indicator for 3 ESG categories

Environmental	**Social**	**Governance**
Climate change	Job creation	Purpose, values and culture
Carbon management	Equal opportunity	Board diversity

Resource depletion ×	Diversity	Succession planning ×
Pollution	Training	Executive remuneration ×
Energy consumption	Impact on local communities ×	Internal controls
Land use ×	Occupational health and safety ×	Risk governance ×
Biodiversity loss ×	Child and forced labor ×	Ethics and compliance
Water consumption ×	Grievance mechanisms	Shareholder rights
Waste management ×	Human rights	Stakeholder governance
Innovations reduce impact	Social impact of products	Disclosure-transparency
	Gender violence/harassment	

Source: Researcher's analysis of ESG framework by IFC 2021.

Krippendorff (2018) discusses various approaches in content analysis, including the use of ordinal and interval scales to measure the meaning of text, which can, in principle, include the Likert scale. Krippendorff highlights how textual data can be quantitatively coded using various measurement scales to assess the strength or weakness of a concept in written communication. Although Likert scales are not explicitly mentioned, the concepts outlined in this book can be applied in research utilizing such scales to assess information disclosure in sustainability reports.

Thus, in this study, each ESG indicator in sustainability reports is analyzed using a scale ranging from 1 to 5, with the following assessment criteria:

Table 2. Scoring explanation

Score	**Meaning**	**Explanation**
1	Very poor	Very limited or no information disclosure.
2	Poor	Information disclosure exists but is general and lacks depth.
3	Far	Information disclosure is fairly clear but requires further details.
4	Good	Information disclosure is quite detailed and supports stakeholder understanding.
5	Excellent	Information disclosure is highly detailed, transparent, and includes quantitative data with clear targets.

Source: Researcher's development from Krippendorff (2018).

Content Analysis Process
The content analysis process was carried out through the following steps:

1. Data Collection: Sustainability reports from sampled banks were collected and classified based on state-owned and private banks.
2. Indicator Identification and Categorization: Each sustainability report was analyzed based on 31 ESG indicators adapted from the IFC framework. Some indicators that were

less relevant to the banking sector were modified to better align with the banking business model.

3. Scoring: Each ESG indicator in the sustainability reports was assessed using a Likert scale (1-5) based on the level of transparency and completeness of the disclosed information.
4. Data Analysis and Interpretation: Scores obtained from each sustainability report were analyzed to identify patterns of ESG disclosure between state-owned and private banks and to compare ESG disclosure performance across categories.

By employing this approach, this study aims to provide an objective depiction of the level of transparency and accountability in ESG disclosure in sustainability reports of Indonesian banks and to offer recommendations for enhancing ESG reporting quality in the banking sector.

4. Findings and Analysis

In this content analysis-based study, three categories were identified with a total of 20 indicators, as formulated by IFC (2021) and adapted to the banking sector. These categories and indicators were documented in a coding sheet, serving as an analytical tool to ensure that each specific indicator was disclosed in the sustainability reports.

Scoring was conducted based on the quality and volume of information disclosed for each indicator. Essentially, the more comprehensive and detailed the information, the higher the score assigned to a particular indicator.

Using the coding sheet with 20 indicators, scoring data was compiled and presented in Table 3. This table displays the scores for each indicator within the sustainability reports (on a scale of 1-5), with the far-right column showing the average score for each indicator. Additionally, the average score per category for each bank is presented at the end of each section. Finally, the bottom row displays the overall ESG score of a bank across all three categories.

Table 3. ESG score of 9 Sustainability Report

No.	Aspek dan Topik	BBRI	BMRI	BBNI	BBCA	MEGA	BDMN	BNII	BNGA	NISP	Rata2
Environment											
1.	Climate change	5	5	4	5	2	3,5	1	5	1,5	3,6
2.	Carbon management	1	1	1	1	1,5	1	1	3	1	1,3
3.	Pollution	3,5	5	2,5	4	1	2,5	1,5	1,5	2	2,6
4.	Energy consumption	3,5	5	2	2	1,5	1,5	1,5	1,5	1	2,2
5.	Innovations that reduce impact	1	1	1	1	1	1	1	1	1	1
	Average score: Environement	**2,8**	**3,4**	**2,1**	**2,6**	**1,4**	**1,9**	**1,2**	**2,4**	**1,3**	
Social											
1.	Job creation	1	1	1	2,5	4	1	1	2	1	1,6
2.	Equal opportunity	4	3,5	1	3,5	4	1	3	2	3,5	2,8
3.	Diversity	3,5	4,5	3,5	2	2	1,5	1,5	1,5	1	2,3
4.	Training	4,5	5	4	4,5	3,5	3	4	2,5	3	3,8
5.	Grievance mechanisms	1,5	1,5	1,5	4,5	2,5	1.5	1	1	2	1,9
6.	Human rights	1	1	1	3,5	2,5	2,5	1,5	4	1	2

7.	Social impact of products	1	1	1	1	1	1.5	1	1	1	1,1
8.	Gender violence/harassment	1	1	1	1	1	1	1	1	1	1
	Average score: Social	**2,2**	**2,3**	**1,8**	**2,8**	**2,6**	**1,6**	**1,8**	**1,9**	**1,7**	
Government											
1.	Purpose, values and culture	4	1,5	3,5	3,5	2	1	3	1	1	2,3
2.	Board diversity	4	4,5	2	1,5	1,5	1	2	1,5	1	2,1
3.	Internal controls	4,5	2,5	1	1,5	1,5	1	1,5	1	1	1,7
4.	Ethics and compliance	1,5	4	4	1,5	1	1	3,5	1,5	1	2,1
5.	Shareholder rights	1	1	1	1	1	1	1	1	1	1
6.	Stakeholder governance	4,5	3,5	1	3	3	2	3	1,5	1	2,5
7.	Disclosure-transparency	5	3,5	3	4	2	2,5	2	2,5	1,5	2,9
	Average score: Government	**3,5,**	**2,9**	**2,2**	**2,3**	**1,7**	**1,6**	**2,3**	**1,4**	**1,1**	
	Final score ESG bank	**2,8**	**2,9**	**2,0**	**2,6**	**1,9**	**1,7**	**1,8**	**1,9**	**1,4**	

Source: content analysis result.

Key Findings: Only two banks—Bank BRI and Bank Mandiri—had an average score below 2, meaning that while they provided some ESG disclosure, it remained general and lacked depth. The rest of the banks had very limited ESG disclosure or none at all. In the Environment category, no banks disclosed information on resource depletion and innovations that reduce environmental impact.

In the Governance category, no banks disclosed information on shareholder rights.

The highest-scoring indicator was “Employee Training”, with a score of 3.8. This indicator evaluates whether banks provide training and skill development programs for their employees. This reflects positively on companies that prioritize human resource development.

The second-highest scoring indicator was “Climate Change”, with a score of 3.6. This indicator assesses how bank activities contribute to climate change, including carbon emissions and mitigation efforts such as carbon footprint reduction. Most sustainability reports provided detailed coverage of climate change issues, although one report did not include this topic.

Other high-scoring indicators include “Disclosure and Transparency” (2.9); “Equal Employment Opportunities” (2.8); “Pollution” (2.7) – referring to the environmental impact of industrial waste, air pollution, water contamination, and soil degradation resulting from banking operations.

Indicators That Were Not Reported are “Innovation to Reduce Environmental Impact” – examining banks’ efforts to develop environmentally friendly technologies or products. Followed by “Gender-Based Violence or Harassment” – assessing corporate policies to prevent and address workplace gender-based violence and harassment. Then “Shareholder Rights” – evaluating corporate policies to protect shareholder rights, including transparency in decision-making. Finally, “Social Impact of Products and Services” – few banks provided information on this indicator.

Overall ESG Scores, Bank Mandiri had the highest ESG disclosure score (2.9); Bank BRI followed with a score of 2.8; Bank BCA scored 2.6; and Bank BNI had the lowest score at 2.0.

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All four banks belong to KBMI 4 (Banks with Core Capital Above IDR 70 Trillion), which suggests that larger banks may have better ESG disclosure practices compared to smaller banks.

Discussion

If the findings of the level of ESG aspect disclosure in the sustainability report are associated with the ESG Leader Index figures on the Indonesia Stock Exchange, it will be seen that the four banks also have quite good indices. For example, Bank BRI and Bank Mandiri have a low risk level, while Bank BCA and Bank BNI have a medium risk level. This means that there are similarities in characteristics between the findings in this study and the IDX ESG Leader on the Indonesia Stock Exchange. However, further research is needed to confirm the correlation.

Furthermore, the four banks are also included in four other ESG indices, namely the ESG Sector Leaders IDX Kehati, IDX L45 Low Carbon Leader, and the SRI-KEHATI index.

Tabel 4. Contoh Indeks saham ESG (hingga akhir 2024)

	Bank	**IDX ESG Leader**	**ESG Sector Leaders IDX KEHATI**	**ESG Quality 45 IDX KEHATI**	**IDX LQ45 Low Carbon Leader**	**SRI-KEHATI**
1.	Bank BRI	17,83 (low)	√	√	√	√
2.	Bank Mandiri	17,52 (low)	√	√	√	√
3.	Bank BNI	23,17 (medium)	√	√	√	√
4.	Bank BCA	21,51 (medium)	√	√	√	√

Sumber: Indeks Saham Bursa Efek Indonesia
(https://www.idx.co.id/id/data-pasar/data-saham/indeks-saham/)

The findings of this study are expected to complement existing ESG indices, such as IDX ESG Leader. This index measures issuers with the best ESG practices in Indonesia, while this research focuses on ESG disclosure in banks' sustainability reports. The study can provide granular data on how banks meet ESG Leader criteria, particularly in terms of climate risk disclosure and sustainable credit policies.

For ESG Sector Leaders IDX Kehati, which highlights ESG leaders in each sector, including banking, this study can further refine the selection criteria by incorporating transition risk measurement and the impact of bank financing on the green economy.

In the ESG Quality 45 IDX Kehati index, which focuses on 45 stocks with the best ESG fundamentals and low exposure to environmental risks, data from this research can be used to validate whether banks included in the index genuinely possess strong ESG quality rather than merely providing minimal ESG reporting.

Regarding IDX L45 Low Carbon Leader, which evaluates companies with low operational carbon emissions, this study can contribute by analyzing whether banks genuinely reduce their carbon footprint, including emissions from their financing portfolios.

Finally, for the SRI-KEHATI index, which assesses companies with a high commitment to sustainability based on Kehati Foundation standards, this study can support the validation of ESG metrics used, particularly by assessing the consistency of banks' sustainability reports with their actual business practices.

5. Conclusion and Recommendations

In recent years, ESG disclosure in the sustainability reports of banks in Indonesia has significantly improved, driven by regulations from the Financial Services Authority (OJK) and increasing investor awareness of sustainability. However, research findings indicate gaps in the quality and transparency of ESG disclosures among various banks, both state-owned and private. Some banks have adopted international standards in their sustainability reporting, while others continue to disclose ESG information in a normative manner without clear quantitative metrics.

This study found that climate change is the most frequently disclosed ESG indicator in sustainability reports, reflecting growing attention to environmental impacts. However, resource depletion, innovation in reducing environmental impact, and shareholder rights remain underreported. This suggests room for improvement to ensure ESG disclosure is more comprehensive and balanced across all aspects.
From a comparative perspective, state-owned banks tend to have more structured ESG disclosures due to stricter regulations and government policy influence. Meanwhile, private banks exhibit greater flexibility in implementing ESG strategies, particularly in response to investor and market demands. However, both types of banks still face challenges in harmonizing ESG disclosure standards for objective sustainability performance comparisons.

Implications and Recommendations:

1. For Regulators: OJK should strengthen ESG reporting regulations by emphasizing the mandatory use of quantitative metrics and transparency in sustainability disclosures. Aligning with international standards such as IFRS S1 & S2, TCFD, and ISSB should also be considered to enhance Indonesian banks' competitiveness on a global scale.
2. For Investors: Investors can use the findings of this study to assess banks' ESG performance and make more sustainable investment decisions. A more objective ESG rating system will help mitigate greenwashing risks and increase accountability in sustainability practices.
3. For Banks: Banks should improve the quality of their ESG reports by adopting international standards and incorporating more quantitative data in their disclosures. Additionally, they should focus on underreported ESG aspects such as innovation in reducing environmental impact and corporate governance transparency.
4. For Academics: This study serves as a foundation for future research on the impact of ESG disclosure on banks' financial performance and its effects on investor confidence.

Further studies exploring the relationship between ESG practices and bank profitability would be highly beneficial.

Overall, ESG disclosure in the sustainability reports of banks in Indonesia is still in its developmental stage and requires further enhancements to provide optimal benefits for all stakeholders. By improving transparency and the quality of ESG reporting, Indonesian banks will not only comply with regulations but also strengthen their competitiveness in an increasingly sustainability-oriented financial market.

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