

SUSTAINABILITY REPORTING QUALITY IN THE BASIC MATERIALS SECTOR OF COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRAK

This study aims to examine the quality of Environmental, Social, and Governance (ESG) reporting and its relationship with the performance and resilience of Basic Materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Based on stakeholder theory and legitimacy theory, this study analyzes the effect of ESG risk transparency on operational stability and market trust. The method used is content analysis with a priori coding based on GRI G4 indicators on 11 companies selected through purposive sampling. The results show a significant transformation in ESG risk profiles; issuers such as TINS, ANTM, SMGR, and INTP successfully achieved the lowest risk category (Negligible to Low Risk) by 2024. The findings reveal that ESG risk management has a strong linear correlation with operational efficiency and access to green financing. Conversely, companies categorized as Severe Risk are more vulnerable to regulatory pressure and market volatility. This study confirms that ESG compliance is a crucial determinant in closing the legitimacy gap and enhancing global competitiveness. The practical implications emphasize the importance of integrating green technology and transparent governance for the basic materials sector to ensure business sustainability in the low-carbon economy era.

Kata kunci: Sustainability Report, ESG (Environmental, Social, and Governance), Firm Performance.

INTRODUCTION

Background

The development of the sustainability concept has now transformed into a new paradigm in the global economy which, according to the Global Reporting Initiative (GRI), requires full corporate transparency regarding the impacts of their operations through the latest sustainability reporting standards, namely the GRI Standards. These international standards establish materiality-based disclosure as an obligation for companies to report their economic, environmental, and social impacts in a measurable, relevant, and comparable manner to stakeholders. According to (Safira & Hardiningsih, 2025), sustainability report disclosure serves as a means for companies to communicate their environmental and social responsibilities, although in practice many companies still tend to focus more on profit achievement. In Indonesia, the urgency of such disclosure is particularly evident in the Basic Materials sector, which according to GRI (2013) has the most significant exposure to environmental and social risks compared to other sectors.

ESG is a concept used by investors to screen potential investments and for companies, ESG disclosure serves as a tool to demonstrate responsibility and transparency to stakeholders in order to enhance corporate image and value, according to (Dita Eka Nur Sakina & Arif Dermawan, 2024). ESG functions as a tool to balance

economic interests with social responsibility, while simultaneously increasing the company's access to sustainable financing, according to (Oktrivina et al., 2025)

Pressure on the basic materials sector has increased sharply alongside the intense media scrutiny of carbon emission issues, particularly in the cement industry. According to a report by CNBC Indonesia (2021), the industry is identified as one of the largest contributors to greenhouse gas emissions, triggering strict oversight from regulators as well as global investors. This situation, as reported by CNBC Indonesia (2021), has forced major issuers such as SMGR and INTP to promptly adopt Green Cement technology and alternative energy to mitigate environmental impacts. In addition to emissions, CNBC Indonesia (2021) also notes that operational controversies in mining areas, including ecosystem damage and agrarian conflicts, have become key drivers of negative sentiment in the capital market.

In response to these pressures, according to (Freeman & Reed, 1983) in stakeholder theory, companies are required to improve the quality of information to fulfill the rights of stakeholders who have the power to influence financial performance. According to (Ramadhan et al., 2023) the implementation of sustainable finance should be viewed by the industry as both an opportunity and a challenge to achieve optimal growth through green innovation. To support this, the Indonesia Stock Exchange (www.idx.co.id) has provided supporting instruments such as the ESG index, which offers incentives in the form of positive reputation for issuers included in the environmentally friendly category.

Research by (Anggraini & Sari, (2024) ;, Marisa & Istiqomah, 2025) and (Ramadani et al., 2025) shows that the Environmental, Social, and Governance (ESG) index has a positive and significant influence on the company's financial performance. Conversely, research results from (Rifli et al., 2024) and (Minggu et al., 2023) indicate that ESG practices do not have a significant effect on financial performance. This is due to the company's environmental commitment not yet being optimally responded to by stakeholders such as investors, creditors, the government, and the community, so it has not been able to provide a real impact on the company's profitability.

The inconsistency of results and the research gaps from previous studies have encouraged the researcher to conduct further study titled: "Sustainability Reporting Quality in the Basic Materials Sector of Companies Listed on the Indonesia Stock Exchange (2020–2024)".

LITERATURE REVIEW

1. Stakeholder Theory

Stakeholder theory, which underpins much of the research on corporate sustainability, emphasizes that companies must consider the interests of various stakeholder groups, including investors, consumers, governments, and the wider community. In the ESG context, this theory highlights that strong sustainability practices not only benefit the environment and society but can also enhance overall firm value (Fristamara et al., 2025) . The obligation to publish sustainability reports and environmental information enables stakeholders to assess the impact of a company's business operations on the environment (Anggraini & Sari, 2024).

Freeman & Reed, (1983) defines stakeholders as groups or individuals who can influence or are influenced by the achievement of organizational objectives. ESG reporting enhances corporate transparency and accountability in the eyes of

stakeholders, thereby facilitating the attainment of legitimacy (Ramadhan et al., 2023). Furthermore, ESG disclosure helps companies meet stakeholder expectations, build trust, and ultimately improve financial performance (Marisa & Istiqomah, 2025).

2. Legitimacy Theory

Legitimacy theory states that companies operate not only for internal interests or shareholders, but also to obtain and maintain legitimacy from the broader society (Mubarok & Widianingsih, 2025). According to this theory, companies sustain their business by aligning their activities with societal values and expectations through ESG disclosure, supported by strong financial performance to reinforce public legitimacy (Marisa & Istiqomah, 2025). This theory is also important for companies as it focuses on how they strive to maintain or gain recognition within society (Safira & Hardiningsih, 2025).

3. Sustainability Report

Sustainability reporting represents a company's commitment and programs toward sustainable development, addressing the economic, social, and environmental impacts of its activities. Companies can evaluate their influence on various sustainability challenges through sustainability reports (Safitria & Yanthib, 2024). According to the Global Reporting Initiative (GRI), a Sustainability Report is defined as a process that helps organizations set goals, measure performance, and manage change toward a sustainable global economy that combines long-term profitability with social responsibility and environmental stewardship (Andri Novius, 2023).

In Indonesia, sustainability reporting is still largely voluntary (mandatory or voluntary), resulting in a relatively limited number of companies implementing it, which is reflected in the quality of the disclosures provided (Arfito et al., 2023). Sustainability reports are useful in helping companies assess the operational impacts on the environment, society, and the economy from an internal perspective, while for external stakeholders, such reports enhance positive interactions between companies and their stakeholders (Safira & Hardiningsih, 2025).

4. Environmental, Social, and Government (ESG) Disclosure

ESG encompasses the comprehensive measurement of a company's sustainability-related information. It consists of three dimensions—environmental, social, and governance—which are integrated into a single score. Each dimension has its own indicators to evaluate a company's sustainability performance (Durlista & Wahyudi, 2025). ESG reflects corporate activities that not only focus on profit but also uphold environmental, social, and governance principles (Ningwati et al., 2022).

An increase in ESG practices may, in some cases, lead to a decline in firm performance, primarily due to higher cost pressures (Ruan & Liu, 2021). Environmental sustainability refers to efforts to maintain environmental quality through the implementation of environmentally friendly and sustainable operational practices (Sam et al., 2025). Companies that invest in environmental or social initiatives often generate product or process innovations that can improve operational efficiency and provide sustainable competitive advantages. Such innovations not only benefit companies economically but also contribute positively to the environment and surrounding communities (Rismanto, 2024).

5. The Relationship between ESG Quality and Firm Financial Performance

ESG disclosure, which encompasses environmental, social, and governance aspects, can be viewed as a signal provided by companies to investors regarding the

quality of corporate management (Durlista & Wahyudi, 2025) . High ESG quality is positively associated with financial performance as it reflects responsible management practices, enhances stakeholder trust, and strengthens sustainability and firm value (Marisa & Istiqomah, 2025) . Furthermore, the implementation of strong ESG practices helps companies reduce risks and supports sustainable value creation (Ramadhan et al., 2023).

ESG is closely related to a company’s financial performance because the proper implementation of environmental, social, and governance aspects can help minimize risks, improve corporate image, and strengthen the trust of investors and stakeholders (Rismanto, 2024). Governance, in particular, aims to ensure that management activities are conducted appropriately and that all forms of reporting are transparently communicated to stakeholders (Minggu et al., 2023). The relationship between ESG and firm performance indicates that the adoption of sound environmental, social, and governance practices reflects responsible and sustainable corporate management. ESG implementation enables companies to reduce risks, increase investor and stakeholder confidence, and enhance corporate reputation. These conditions support operational efficiency and long-term value creation, thereby positively impacting the company’s financial performance (Kartika et al., 2023)

METHODOLOGY

The method used in this research is content analysis. Content analysis is a systematic and replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding (Stemler, 2001) . The approach used in this study is a priori coding. A priori coding is an approach where research categories are established before data analysis begins. This approach relies heavily on existing theoretical foundations. The categories used are based on the outputs from idx.co.id/id, consisting of five categories as follows::

Table 3.1 ESG Risk Categories

| Category | Risk Score | Description |
|------------|------------|---------------------|
| Negligible | 0-10 | Negligible ESG Risk |
| Low | 10-20 | Low ESG Risk |
| Medium | 20-30 | Moderate ESG Risk |
| High | 30-40 | High ESG Risk |
| Severe | >40 | Severe ESG Risk |

Source: Processed by the Author, 2026

The sampling technique used in this study is purposive sampling. The sample obtained from the population of the basic materials sector for the 2020–2024 period is based on the following criteria:

Table 3.2 Purposive Sampling

| No | Description | total |
|----|--|-------|
| 1 | Number of companies in the basic materials sector | 113 |
| 2 | Number of Basic Materials companies that did not regularly publish Sustainability Reports during 2020–2024 | (95) |
| 3 | Number of companies not using GRI | (7) |
| | Number of companies selected as samples | 11 |
| | Observation period (years) | 5 |
| | Total research samples | 110 |

Source: Processed by the Researcher, 2026

RESULTS AND DISCUSSION

Table 4.1 Total Score

| Code | Company Name | year | ESG Risk Score |
|------|--------------------------------|------|----------------|
| ANTM | Aneka Tambang Tbk. | 2020 | 36,08 |
| | | 2021 | 38,14 |
| | | 2022 | 8,25 |
| | | 2023 | 6,19 |
| | | 2024 | 6,19 |
| BRMS | Bumi Resources Minerals Tbk | 2020 | 43,3 |
| | | 2021 | 35,1 |
| | | 2022 | 23,7 |
| | | 2023 | 24,7 |
| | | 2024 | 24,7 |
| BRPT | Barito Pasific Tbk | 2020 | 77,3 |
| | | 2021 | 75,3 |
| | | 2022 | 56,7 |
| | | 2023 | 56,7 |
| | | 2024 | 56,7 |
| INTP | Indocement Tunggal Prakasa Tbk | 2020 | 60,8 |
| | | 2021 | 26,8 |
| | | 2022 | 26,8 |
| | | 2023 | 19,6 |
| | | 2024 | 18,6 |
| MDKA | Merdeka Cooper Gold Tbk | 2020 | 72,2 |
| | | 2021 | 55,7 |
| | | 2022 | 46,4 |
| | | 2023 | 59,8 |
| | | 2024 | 54,6 |
| SMCB | Solusi Bangun Indonesia Tbk | 2020 | 58,8 |
| | | 2021 | 45,4 |
| | | 2022 | 30,9 |
| | | 2023 | 19,6 |
| | | 2024 | 41,2 |
| SMGR | Semen Indonesia (Persero) Tbk | 2020 | 49,5 |
| | | 2021 | 32,99 |
| | | 2022 | 30,9 |
| | | 2023 | 27,8 |
| | | 2024 | 11,3 |
| TINS | Timah Tbk | 2020 | 52,6 |
| | | 2021 | 48,5 |
| | | 2022 | 2,06 |
| | | 2023 | 3,09 |

| Code | Company Name | year | ESG Risk Score |
|------|-------------------------------|------|----------------|
| WSBP | Waskita Beton Precast Tbk | 2024 | 3,09 |
| | | 2020 | 71,1 |
| | | 2021 | 77,3 |
| | | 2022 | 59,8 |
| | | 2023 | 23,7 |
| | | 2024 | 23,7 |
| GGRP | Gunung Raja Paksi | 2020 | 81,4 |
| | | 2021 | 77,3 |
| | | 2022 | 63,9 |
| | | 2023 | 39,2 |
| | | 2024 | 37,1 |
| | | 2025 | 62,9 |
| IFII | Indonesia Fibreboaid Industry | 2026 | 36,1 |
| | | 2027 | 41,2 |
| | | 2028 | 53,6 |
| | | 2029 | 46,4 |

Source: Processed by the Researcher, 2026

1. Aneka Tambang Tbk. (ANTM)

During the 2020–2021 period, ANTM was in a highly challenging risk category, where its score increased from 36.08 (High Risk) to 38.14 (High Risk). This rise in the risk score indicates that during the pandemic, the company faced significant environmental and social risk exposure that had not been optimally managed, which theoretically could increase the cost of capital and litigation risk. However, a significant turning point occurred in 2022 with a sharp decline in the score to 8.25, placing ANTM in the Negligible Risk category. This substantial decrease reflects fundamental improvements in the company's risk management system and ESG reporting transparency, which positively correlates with a strengthened corporate image among green investors and improved operational efficiency in managing environmental impacts.

Entering 2023 to 2024, ANTM successfully maintained consistent performance with a stable score of 6.19, remaining in the Negligible Risk category. This stability at a very low level reflects ANTAM's success in integrating sustainability policies into its core business strategy, such as decarbonization initiatives and strict waste management. Its relationship with firm performance is very strong; a low risk score minimizes the potential for operational disruptions due to social issues or environmental regulations, while also providing easier access to sustainable financing instruments. By maintaining this status through 2024, ANTM demonstrates that strong ESG risk management is a key pillar in ensuring long-term business sustainability and enhancing competitiveness in the global commodities market.

2. Bumi Resources Minerals Tbk. (BRMS)

During the 2020–2022 period, BRMS demonstrated a highly significant improvement in risk management. In 2020, the company was categorized under Severe

Risk with a score of 43.33, indicating very high exposure to environmental and governance risks affecting firm value. However, the score consistently declined to 35.1 (High Risk) in 2021 and dropped sharply to 23.7 (Medium Risk) in 2022. This nearly 20-point reduction over two years reflects a major transformation in reporting transparency and operational risk mitigation. In terms of performance, this improvement generated positive investor sentiment, as the company successfully moved out of the extreme risk zone toward a more moderate level of risk management, which is typically associated with improved compliance cost efficiency.

Entering 2023 and 2024, the company's ESG score showed slight fluctuations, increasing marginally to 24.7 and remaining stable at that level through 2024. Despite the slight rise from 2022, BRMS was able to maintain its position within the Medium Risk category. This stability at 24.7 indicates that the company has reached a balance in managing the environmental impacts of its mining expansion, although there is still room for improvement to achieve a Low Risk category. The relationship with firm performance is crucial; by maintaining a moderate risk level, BRMS presents a more attractive risk profile for financial institutions applying socially responsible investment (SRI) principles, which ultimately supports funding stability for the company's future strategic projects.

3. Barito Pacific Tbk. (BRPT)

During the 2020–2021 period, BRPT was in a highly critical risk category, recording a score of 77.33 (Severe Risk) in 2020. A score above 70 indicates extremely high ESG risk exposure, which is typically associated with a high cost of capital and strict scrutiny from regulators and global investors. Although there was a slight decline to 75.33 (Severe Risk) in 2021, the company's risk profile remained at the highest level, reflecting significant challenges in managing environmental impacts from its large-scale petrochemical and energy business lines. In terms of performance, scores at this stage indicate a high vulnerability to decarbonization issues and global sustainability standards, which may hinder access to green financing.

A major turning point occurred in 2022, when BRPT managed to significantly reduce its score to 56.7. This substantial decrease of 18.63 points suggests a major overhaul in sustainability strategy or a considerable improvement in governance transparency compared to previous years. The score of 56.7 then remained stable and consistent through 2023 and 2024. Although still categorized as Severe Risk (based on Sustainalytics standards where scores above 40 are classified as severe), the stability at a significantly lower level compared to 2020 reflects management's success in curbing escalating risks and establishing more measurable operational standards. In relation to firm performance, this creates greater certainty for shareholders that ESG risks have been contained and are no longer at extreme levels, thereby supporting the group's long-term resilience in facing the energy transition.

4. Indocement Tunggal Prakarsa Tb (INTP)

During the 2020–2022 period, INTP demonstrated a highly impressive transformation in risk management, starting with a score of 60.8 (Severe Risk) in 2020. A score above 60 indicates that the company initially had extremely high environmental risk exposure, which is common in the cement industry due to high carbon emissions. However, there was a very sharp decline of 34 points to 26.8 (Medium Risk) in 2021,

and this level was successfully maintained in 2022. This significant reduction reflects the company's success in implementing green technologies or extensively adopting alternative fuels, which directly improved operational efficiency and reduced the risk of costly environmental regulatory penalties.

Entering 2023 and 2024, INTP continued to show a trend of continuous improvement, with scores declining further to 19.6 (Low Risk) in 2023 and reaching its lowest point at 18.6 (Low Risk) in 2024. The shift from Medium Risk to Low Risk over these two years represents a strategic achievement that strengthens INTP's position as a sustainability leader in the cement sector. The relationship with firm performance is highly positive; a score below 20 sends a strong signal to global investors that INTP is a resilient company capable of adapting to stricter carbon regulations. This consistent decline in risk scores reduces the overall investment risk profile, potentially lowering the company's cost of capital and increasing its attractiveness to ESG-focused fund managers.

5. Merdeka Copper Gold Tbk.(MDKA)

During the 2020–2022 period, MDKA demonstrated progressive improvements in risk management, although it remained within the high-risk zone. In 2020, the company recorded a score of 72.2 (Severe Risk), indicating extremely high environmental and governance risk exposure, which is typical in the mining sector. However, the score declined significantly to 55.7 (Severe Risk) in 2021 and continued to improve to 46.4 (Severe Risk) in 2022. This reduction of 25.8 points over two years reflects the company's strong commitment to enhancing transparency and mitigating the environmental impacts of its operations. In terms of performance, this downward trend sends a positive signal to investors that the company is transitioning toward better sustainability standards, which is crucial for maintaining its social license to operate.

During the 2023–2024 period, MDKA's risk profile exhibited notable fluctuations. In 2023, the score increased significantly to 59.8 (Severe Risk), indicating emerging challenges or heightened risk exposure due to the expansion of major projects. However, in 2024, the company managed to reduce the score again to 54.6 (Severe Risk). In relation to firm performance, this pattern suggests that MDKA is still in a challenging transition phase, where aggressive business growth in the copper and gold sectors must align with increasingly stringent ESG standards. Although still within the Severe Risk category, the company's ability to lower its score again in 2024 indicates the presence of corrective mechanisms in risk management, helping to maintain market confidence and long-term financial sustainability.

6. Solusi Bangun Indonesia Tbk.(SMCB)

During the 2020–2022 period, SMCB demonstrated a highly progressive and consistent improvement in risk management. In 2020, the company was categorized under Severe Risk with a score of 58.8, reflecting the high carbon emission burden typical of the cement industry. However, the company successfully reduced its score significantly to 45.4 (Severe Risk) in 2021 and further declined sharply to 30.9 (High Risk) in 2022. This total reduction of nearly 28 points over two years indicates substantial success in energy efficiency and the adoption of alternative fuels. In terms of performance, this positive trend builds investor confidence that SMCB is capable of

transforming its operations to become more environmentally friendly, thereby strengthening its competitiveness in the green construction market.

Entering the 2023–2024 period, the company's ESG score exhibited sharp and dramatic fluctuations. In 2023, SMCB achieved its best performance with a score of 19.6, which remarkably placed the company in the Low Risk category. However, this success was followed by a significant surge in 2024 to 41.2, causing the company to fall back into the Severe Risk category. This more-than-double increase within a year indicates the emergence of new challenges or significant incidents that suddenly elevated the company's risk exposure. In relation to firm performance, this creates uncertainty for stakeholders regarding the stability of long-term ESG implementation, highlighting the need for in-depth evaluation to ensure that the risk profile does not hinder access to sustainable financing in the future.

7. Semen Indonesia (Persero) Tbk.(SMGR)

During the 2020–2022 period, SMGR demonstrated consistent and well-directed improvements in risk management. In 2020, the company was still categorized under Severe Risk with a score of 49.5, reflecting the significant challenges faced by the cement industry in controlling carbon emissions and environmental impacts. However, the company managed to reduce its score significantly to 32.9 (High Risk) in 2021, and further declined to 30.9 (High Risk) in 2022. This reduction indicates concrete efforts in implementing environmentally friendly technologies and improving energy efficiency. From a performance perspective, these improvements send a positive signal to the market that SMGR is increasingly committed to transitioning toward more sustainable business practices.

Entering the 2023–2024 period, SMGR recorded even more substantial progress. In 2023, the risk score decreased to 27.8 (Medium Risk), indicating the company's success in moving out of the high-risk category. The best achievement occurred in 2024, when the score dropped sharply to 11.3 (Low Risk). This decline reflects the effectiveness of a more comprehensive sustainability strategy, including the optimization of alternative energy use and enhanced governance transparency. In terms of firm performance, this condition strengthens SMGR's attractiveness to investors and green financing institutions, as a lower risk profile can reduce the cost of capital while enhancing the company's competitive position in the low-carbon economy era.

8. Timah Tbk. (TINS)

During the 2020–2021 period, TINS was in a relatively concerning risk zone, with a score of 52.6 (Severe Risk), which slightly decreased to 48.5 (Severe Risk). Scores at this level indicate that, during the early pandemic period, the company faced significant challenges in managing the environmental impacts of its tin mining operations as well as complex governance issues. However, a dramatic positive turning point occurred in 2022, when the risk score dropped sharply by 46.44 points to just 2.06. This remarkable decline immediately placed TINS in the Negligible Risk category. From a performance perspective, this extreme improvement reflects a transformative enhancement in reporting transparency and operational risk mitigation, signaling to the market that the company had undertaken a comprehensive overhaul of its sustainability management system.

Entering 2023–2024, TINS demonstrated exceptional consistency in maintaining its risk profile at a very low level. Although there was a slight increase to 3.09 in 2023,

the score remained stable through 2024 and stayed well within the Negligible Risk category. This stability at a score below 5 positions TINS as one of the mining companies with the strongest ESG risk profiles globally. In relation to firm performance, such a low risk score minimizes potential regulatory barriers and social conflicts, while also expanding access to low-cost green financing. By maintaining a score of 3.09 through 2024, TINS proves that effective environmental and social management has become a key competitive advantage, strengthening the company's business resilience amid fluctuations in global tin commodity prices.

9. Waskita Beton Precast Tbk.(WSBP)

During the 2020–2021 period, WSBP was in a highly critical risk zone, recording a score of 71.7 (Severe Risk) in 2020 and experiencing a further increase to 77.3 (Severe Risk) in 2021. This rise indicates an accumulation of governance-related issues as well as poorly managed environmental challenges, which historically coincided with a period of significant financial pressure for the company. A turning point began to emerge in 2022, with a notable decline in the score to 59.8 (Severe Risk). Although still within the severe category, this reduction of 17.5 points reflects initial efforts in restructuring and improving reporting transparency, which helped mitigate the company's extreme risk exposure.

Entering 2023–2024, WSBP recorded a highly impressive improvement in ESG performance, with a sharp decline in its score from 59.8 to 23.7. This substantial decrease of 36.1 points shifted the company's risk category from Severe Risk directly to Medium Risk. The score of 23.7 was consistently maintained through 2024, reflecting management's success in stabilizing operations and strengthening compliance standards following restructuring. In relation to firm performance, this improvement is crucial; by reducing ESG risk to a moderate level, WSBP now presents a much healthier risk profile, helping to restore investor and creditor confidence. The stability of the score at 23.7 through 2024 indicates that WSBP has moved beyond its risk management crisis phase and is better positioned to compete in infrastructure projects, where sustainability requirements are becoming increasingly stringent.

10. Gunung Raja Paksi Tbk.(GGRP)

During the 2020–2022 period, GGRP was in an extremely high-risk zone, starting with a score of 81.4 (Severe Risk) in 2020. A score above 80 represents one of the highest risk levels, reflecting the massive carbon emission burden of the steel industry as well as significant governance challenges during the early pandemic period. However, the company showed a continuous improvement trend, reducing its score to 77.33 (Severe Risk) in 2021 and further improving to 63.9 (Severe Risk) in 2022. Although the total reduction of 17.5 points over two years is substantial, GGRP remained within the Severe category, indicating that the company still faced high vulnerability to environmental regulatory risks and operational efficiency challenges typical of heavy industries.

Entering 2023–2024, GGRP recorded one of the most dramatic performance improvements, with a sharp decline in its risk score. In 2023, the score dropped significantly by 24.7 points to 39.2, moving the company out of the Severe category into High Risk. This positive trend continued in 2024, with the score further decreasing to 37.1 (High Risk). The substantial reduction from the 80s to the 30s within four years

reflects a fundamental transformation in the company's sustainability strategy, likely driven by investments in electric furnace technology or cleaner energy efficiency measures. In relation to firm performance, this improvement enhances stakeholder confidence; by consistently reducing risk from extreme to a more controlled high-risk level, GGRP strengthens its competitiveness in the global steel market, which increasingly demands low-emission standards, while also mitigating the potential impact of future carbon taxes.

11. Indonesia Fibreboard Industry (IFII)

During the 2020–2022 period, IFII exhibited highly fluctuating risk dynamics, although it experienced a period of significant improvement. In 2020, the company recorded a score of 62.9 (Severe Risk), indicating a highly concerning risk level, often associated with challenges in the wood processing industry related to deforestation issues and supply chain sustainability. However, in 2021, the score dropped sharply to 36.1 (High Risk), representing a strong positive performance improvement that suggests substantial progress in environmental reporting or certification. Unfortunately, this trend did not persist, as the score slightly increased to 41.2 in 2022, placing IFII back into the Severe Risk category. This fluctuation indicates that during this period, the company's risk management strategy had not yet reached full stability and remained vulnerable to operational changes or external pressures.

Entering the 2023–2024 period, the company faced increasing risk challenges before eventually showing signs of recovery. In 2023, the ESG score rose significantly to 53.6 (Severe Risk), marking the highest risk level since 2021 and indicating heightened unmanaged risk exposure. However, in 2024, the company managed to reduce the score to 46.4 (Severe Risk). In relation to firm performance, this pattern suggests that IFII is still striving to maintain consistent ESG compliance amid intense competition in the global wood panel industry. Although still categorized as Severe Risk, the improvement in 2024 signals that the company has begun implementing corrective measures to strengthen business resilience and maintain investor confidence in its raw material sustainability and corporate governance practices.

DISCUSSION

This study concludes that there has been a significant transformation in the quality of sustainability reporting and ESG risk profiles among basic material sector companies listed on the Indonesia Stock Exchange for the 2020-2024 period. The industry, which was dominated by the severe risk category at the beginning of the observation period, has successfully shifted toward more controlled risk management. Issuers such as TINS, ANTM, SMGR, and INTP have emerged as market leaders, successfully reducing their risk levels to the negligible and low risk categories by 2024. This success demonstrates that these companies have been able to integrate sustainability standards into their core business strategies, which directly impacts the increase of transparency and accountability in disclosing environmental, social, and governance aspects.

The research findings reveal that the quality of ESG risk management is strongly and linearly correlated with operational efficiency and expanded access to green financing. Based on stakeholder theory, this reduction in risk scores represents a fulfillment of stakeholders' information rights, which strengthens corporate resilience;

meanwhile, from the perspective of legitimacy theory, it serves as a strategic step to close the legitimacy gap in the eyes of the public. However, the study also notes a performance polarity, where several issuers such as BRPT, MDKA, and IFII remain stuck in the severe risk zone due to operational complexities in certain sub-sectors. Overall, ESG risk management is proven to be not merely an administrative compliance, but a primary pillar determining the competitiveness and business sustainability of companies in the low-carbon economy era.

CONCLUSION

This study on the quality of sustainability reporting in the Basic Materials sector on the Indonesia Stock Exchange during the 2020–2024 period reveals a significant transformation, where an industry initially dominated by the Severe Risk category in 2020 has shifted toward more controlled risk management. Based on the analyzed data, issuers such as TINS, ANTM, SMGR, and INTP have emerged as market leaders, demonstrating that heavy industries are capable of integrating sustainability standards into their core business strategies. This finding aligns with Stakeholder Theory proposed by (Freeman & Reed, 1983) which emphasizes that the reduction in ESG risk scores represents the fulfillment of stakeholders' information rights, thereby directly strengthening corporate resilience through operational efficiency and broader access to sustainable financing (green financing).

From the perspective of Legitimacy Theory, the improvement in risk scores reflects a strategic effort by companies to close the legitimacy gap and restore their social contract with society and investors. However, the findings also reveal performance polarization in 2024, where several issuers such as BRPT, MDKA, and IFII remain in the severe risk zone due to the operational complexity of certain sub-sectors. In addition, the fluctuating dynamics observed in some companies reinforce the findings of (Safira & Hardiningsih, 2025) which suggest that consistency in disclosure is often constrained by short-term profitability priorities. In conclusion, ESG risk management has proven to be not merely an administrative requirement, but a fundamental pillar that determines the competitiveness and long-term sustainability of companies in the basic materials sector amid the demands of a low-carbon economy.

RECOMMENDATIONS

Based on the research findings, companies in the basic materials sector are advised to continuously improve consistency in ESG management and reporting by integrating sustainability principles into their core business strategies. Companies that are still categorized as high risk should conduct comprehensive evaluations of their operational practices and governance, while enhancing reporting transparency in accordance with applicable standards. In addition, regulators are expected to strengthen policies related to sustainability reporting obligations in order to encourage more uniform improvements in disclosure quality. Future research is recommended to include additional variables such as financial performance or firm value to provide a more comprehensive understanding of the impact of ESG on companies.

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