

Implementation of Enviromental, Social, and Governance (ESG) Principles in Companies as a Strategy to Realize Sustainable Development Goals (SDGS) in Talang Buluh Village, Banyuasin Regency, South Sumatera Province

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The implementation of Environmental, Social, and Governance (ESG) principles in companies has become a new paradigm in sustainable business management in the era of globalization. ESG is no longer just an indicator of corporate ethics, but also a strategic foundation that integrates environmental, social, and governance responsibilities in all aspects of a company's operations. In a legal context, ESG strengthens compliance with environmental, employment, and corporate governance regulations, while supporting the principles of good corporate governance and public accountability. ESG has challenges in implementing high implementation costs, limited resources, in integrating ESG into business strategies. Best practices in implementing ESG are integrating ESG into business strategies, measuring and reporting ESG performance transparently, increasing employee awareness and training regarding economics and business or ESG. The implementation of ESG principles not only strengthens the company's image and reputation but can also help the company improve its business sustainability, reduce risks. By understanding the benefits, challenges, and best practices of ESG implementation, companies can create long-term value for their stakeholders, who use it to evaluate company performance and measure overall risk management. The implementation of ESG principles not only strengthens the company's image and reputation but also paves the way for creating an inclusive, ethical, and sustainable development-oriented business ecosystem.

Keywords: ESG, Sustainable Business, Corporate Governance, Sustainable Development

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1. Introduction

The application of Environmental, Social, and Governance (ESG) principles in the corporate world is emerging as a crucial approach to building a sustainable business. This shift stems from increasing global demands for companies to implement environmentally and socially responsible business practices (World Economic Forum, 2020). In this context, ESG is seen not merely as an ethical standard but as a strategic framework that shapes the direction of modern corporate management.

ESG integration is a key foundation for aligning environmental responsibility, social responsibility, and sound governance practices across all operational activities. This approach places sustainability at the heart of corporate strategy, not simply fulfilling normative obligations (UN Global Compact, 2020). In this way, companies build operational structures capable of responding to global dynamics and modern business competition.

From an economic and business perspective, ESG implementation significantly contributes to long-term value creation through resource efficiency, increased competitiveness, and reduced operational risk (Friede,

Busch, & Bassen, 2015). Many global investors now consider ESG performance a key indicator in assessing a company's financial health (Eccles & Klimenko, 2019). This demonstrates that sustainability has become a determining factor in investment decision-making.

From a legal perspective, ESG plays a crucial role in strengthening compliance with environmental, labor, and corporate governance regulations. ESG implementation supports the principles of good corporate governance by increasing transparency and public accountability (KNKG, 2012). Furthermore, evolving international and national regulations require companies to seriously manage their social and environmental impacts (OECD, 2015).

From a social and humanitarian perspective, ESG serves as a mechanism for companies to build harmonious social relationships. Managing employee welfare, gender equality, and community empowerment is a crucial part of sustainable business practices (IFC, 2012). This attention to social aspects strengthens a company's legitimacy in the public eye and improves the quality of its relationships with local communities.

This research focuses on analyzing ESG implementation as a strategy for achieving corporate sustainability. The study aims to understand how the integration of environmental, social, and governance aspects impacts a company's financial and non-financial performance (GRI, 2021). Through this analysis, this study seeks to identify the role of ESG in building adaptive and long-term-oriented business models. However, ESG implementation is not without its challenges. High implementation costs, limited human resources, and minimal management understanding of ESG integration are key challenges (KPMG, 2022). This situation highlights the need for internal capacity building and comprehensive strategic planning to ensure optimal ESG implementation.

Companies in Talang Buluh Village, Banyuasin Regency, South Sumatra Province, are concerned about environmental impacts as part of their efforts to realize sustainable development programs (SDGs). These companies in Talang Buluh Village produce waste that is ultimately easily decomposed. By implementing ESG, negative impacts on the environment and increasing production efficiency can be minimized. On the social side, companies have a significant responsibility to ensure employee welfare and make positive contributions to the surrounding community. The implementation of ESG helps companies adopt safe and fair work practices, as well as support local communities through various corporate social responsibility (CSR) programs (Ekonomika and Bisnis 2022). In terms of governance, transparency and accountability are key to building trust with stakeholders (Sholeh 2023). ESG encourages companies to adopt good governance practices, including honest and open reporting on company performance.

Best practices for ESG implementation include integrating ESG principles into business strategy, preparing transparent performance reports, and enhancing internal education through employee training and competency development (IDX, 2021). Companies that consistently implement these practices will have greater operational resilience to environmental, social, and global market risks.

Overall, ESG implementation has been proven to enhance a company's reputation and strengthen business sustainability through risk and productivity optimization. By understanding the benefits, challenges, and best practices for implementation, companies can create long-term value for all stakeholders (OECD, 2015). ESG is also an important indicator for investors in evaluating the overall quality of a company's risk management (Friede, Busch, & Bassen, 2015). Thus, ESG implementation not only strengthens a company's image and reputation but also fosters an inclusive, ethical, and sustainable business ecosystem. The application of these principles is key for companies to survive and thrive in an increasingly complex global business environment (World Economic Forum, 2020).

2. Materials and Methods

The method used was descriptive qualitative with a participatory approach, involving community groups. This method was chosen to gain a deep understanding of the empirical conditions, perceptions, and readiness of business actors and local stakeholders in implementing ESG principles. The participatory approach enabled two-way interaction between the community service team and the participants. The participants included local government officials, academics, and community leaders in Banyuasin Regency, particularly in Talang Buluh Village, South Sumatra Province.

This community service was conducted to obtain the necessary data and information related to the problem, therefore the location of the community service was chosen in Talang Buluh Village, Talang Kelapa District, Banyuasin Regency, South Sumatra Province. The data obtained were analyzed qualitatively using a descriptive-interpretive analysis approach. The results of the analysis were presented in the form of a systematic narrative to illustrate the effectiveness of the community service activities and formulate strategic recommendations relevant to the development context of Banyuasin Regency. The data were then categorized and analyzed according to research needs. The data analysis method used an interactive analysis method. The interactive analysis method is a model for analyzing qualitative data with three flows (data reduction, data presentation, and verification) (Fadli 2021). It also refers to the Miles and Huberman model, where data acquisition is carried out interactively and continuously.

3. Results and Discussion

ESG Implementation in Companies to Support Business Sustainability and Corporate Image in Talang Buluh Village, Banyuasin Regency, South Sumatra Province

Research results show that most companies have begun integrating ESG principles into their policies and operational activities. This implementation is particularly evident in large companies and public companies that are required to submit sustainability reports. The majority of companies have adopted international standards such as the GRI Standards for sustainability reporting, as recommended by the Global Reporting Initiative (Timo Busch, Rob Bauer, and Gunnar Friede, 2015). In addition, companies also refers to the OECD Guidelines as an international governance guideline to ensure responsible business practices. In line with KPMG's findings, companies in Indonesia have shown an increase in sustainability disclosure, particularly regarding environmental aspects, emissions management, and social management and workers' rights. This demonstrates that ESG awareness is growing and is being implemented as part of a long-term business strategy (Ali Fatemi, Zeinab Glaum, and Gunter Kaiser, 2018). This is also the case for companies in Talang Buluh Village, Banyuasin Regency, South Sumatra Province. The implementation of ESG in companies to support business sustainability and corporate image in Talang Buluh Village, Banyuasin Regency, South Sumatra Province, includes:

1. Environmental Impact Management Efforts

Research has found that companies implementing ESG have undertaken various initiatives to minimize their operational impact on the environment. These steps include:

- a. Reducing greenhouse gas emissions
- b. Efficient energy use
- c. Waste management and recycling
- d. Use of renewable energy
- e. Digitizing operational systems to reduce paper consumption

This finding aligns with the IFC sustainability standards (Wahyuni, Sri, and Rini Indrawati, 2021), which emphasize the importance of environmental impact management as part of company operations.

2. Environmental Challenges

Despite improvements, many companies still face challenges such as:

- a. High investment costs in green technology
- b. Limited expertise in environmental management
- c. Difficulty measuring emissions accurately
- d. Lack of infrastructure support

These challenges align with the sustainability risk mapping presented by the World Economic Forum (2020).

Implementation of Social Aspects

1. Employee Protection and Organizational Culture

In the social aspect, the company has improved:

- a. Occupational safety and health
- b. Anti-discrimination policies
- c. Gender equality
- d. HR training and development programs
- e. Local community involvement

This implementation aligns with the principles of the UN Global Compact (2020), which emphasize respect for human rights, worker protection, and healthy industrial relations.

2. Social and Community Responsibility

The company also carries out more strategic and measurable CSR programs, such as:

- a. Training for local MSMEs
- b. Education and health assistance
- c. Women's economic empowerment programs
- d. Development of the company's surrounding environment

However, challenges in this area include:

- a. Budget constraints
- b. Social impacts that are difficult to measure quantitatively
- c. Lack of community participation in program planning.

Implementation of Governance Aspects

1. Strengthening Governance Structures and Mechanisms

The implementation of corporate governance has seen significant improvements, particularly in (Sutrisno, Budi, and Nuraini, 2021):

- a. Transparency of performance reports
- b. Internal and external audit mechanisms
- c. Risk control
- d. Anti-corruption and anti-bribery policies
- e. Independence of the board of commissioners

This implementation aligns with the KNKG (2012) and OECD Guidelines (Obbie Afri, 2024), which emphasize integrity, transparency, and protection of stakeholder rights.

2. Governance Challenges

Challenges identified include:

- a. Lack of ESG integration in strategic decision-making

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- b. Limited audit committee competency in sustainability issues
- c. Unequal reporting quality across companies



Figure 1. Providing guidance to participants regarding ESG implementation as a strategy for achieving corporate sustainability. Participants were guided to understand how the integration of environmental, social, and governance aspects impacts a company's financial and non-financial performance. Through this guidance, participants were expected to identify the role of ESG in building an adaptive and long-term-oriented business model. Participants were helped to understand the details, resulting in this legal counseling providing significant results. Participants not only understood the theory but were also able to directly implement the results. Representatives of corporate groups and the community were enthusiastic about actively asking questions so they could later practice independently in their respective companies.



Figure 2. shows that this training provides participants with guidance on how ESG can serve as a framework for identifying sustainability risks and opportunities, while GCG ensures ethical, transparent, and accountable governance. Companies that integrate these two principles demonstrate better sustainability performance, increased competitiveness, and high investor confidence. Case studies of Indonesian

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companies such as PT SUCOFINDO and PT Len Industri demonstrate the successful implementation of ESG and GCG, which supports various SDG targets. Therefore, they can be expected to serve as examples for companies in Talang Buluh village. However, challenges remain, such as limited resources and low managerial awareness. This study concludes that synergy between ESG and GCG is crucial for building resilient and sustainable businesses.



Figure 3. shows that participants representing companies in Talang Buluh Village raised questions about the lack of uniform integration of ESG, SDGs, and GCG across all sectors, primarily due to limited resources, understanding, and managerial commitment. Therefore, the resource person provided input, including: Public policies that encourage transparent ESG reporting, human resource training, and incentives for companies that prioritize sustainability are needed. This study encourages further research to develop a more applicable ESG-GCG integration model across various industrial sectors in Indonesia.



Figure 4. shows a participant representing the community asking about the benefits of implementing ESG for the community, particularly in Talang Buluh Village. The resource person then answered that SG

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(Environmental, Social, and Governance) can have a positive impact on society and the environment. However, more than that, ESG can also help companies manage financial risk and meet investor needs. ESG can help companies build their reputation while creating a positive impact on society and the environment, contributing more to sustainability.

The Influence of ESG on Company Performance, Business Continuity, and Financial and Non-Financial Performance of Companies in Talang Buluh Village, Banyuasin Regency, South Sumatra Province

1. Financial Performance

Research findings indicate that companies with high ESG scores have stronger financial stability. Energy efficiency and waste management reduce operational costs and improve the company's image in the eyes of investors. This finding is supported by a large study conducted by Friede et al. (2015), which concluded that over 90% of studies show a positive correlation between ESG and financial performance.

2. Non-Financial Performance

ESG implementation also improves:

- a. Public reputation and trust
- b. Employee satisfaction and productivity
- c. Harmonious relationships with the community
- d. Ability to manage long-term risks

This aligns with the views of Eccles & Klimenko (Juliansyah, A. R., Ringgani, F. F., Alfajrin, M. D., Fauziah, S. N., & Nawawi, T. H. A. M, 2024) regarding the transformation of investor preferences towards sustainable companies.

Strategies for Optimizing ESG Implementation

Research identifies several strategies that companies can implement to strengthen ESG implementation (Rufaidah, 2024):

- a. Making ESG part of the core business strategy
- b. Conducting HR training on sustainability
- c. Increasing reporting transparency according to GRI standards
- d. Utilizing digital technology for emissions monitoring
- e. Increasing stakeholder participation in company policy planning

This strategy supports sustainable business models as outlined by the WEF (2020) and GRI (Varlitya, 2024). 2015 marked a monumental milestone with the launch of the Sustainable Development Goals (SDGs) at the UN General Assembly. ESG has become a key parameter in the implementation of the SDGs, strengthening its position as a benchmark for achieving a more sustainable future. The Covid-19 pandemic that struck in 2020 has become a catalyst for accelerating ESG implementation. Investors are increasingly focused on how companies manage the various social and environmental risks arising from the pandemic. This has led to increased scrutiny of ESG performance globally. Entering 2023, ESG investment and regulation continue to evolve rapidly and encompass a broader scope. Initially focused primarily on climate change, it has now expanded to encompass issues such as waste, the circular economy, biodiversity, and diversity and social inclusion. This demonstrates that ESG has become a new paradigm in the business world, where companies are required not only to generate profits but also to be environmentally, socially, and responsibly managed.

The ESG journey continues, and the future looks increasingly bright. As more investors and companies adopt ESG principles, we can move towards a more sustainable and prosperous future for all. Limited understanding and resources are also obstacles. Many companies, especially small and medium-sized

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companies, lack an adequate understanding of ESG and limited resources for its implementation. This creates a significant gap in ESG implementation. Difficulties in implementing ESG regulations also slow down the pace. Regulations that are not yet comprehensive and not yet aligned across sectors have led to confusion and inconsistencies in implementation. Even more concerning, a narrow understanding of ESG remains widespread. Many parties focus only on one of the three ESG pillars, namely the environment, without considering the equally important social and governance aspects (Servaes, H., & Tamayo, A. (2013).

Furthermore, the lack of fostering sustainable relationships with the community is also a challenge (Aditama, F.W., 2022). Community involvement and active participation in ESG implementation are still minimal, hampering the achievement of inclusive sustainable development goals. Facing these various obstacles, collective and multi-stakeholder efforts are needed. Improving data quality and information transparency is key. Strengthening regulations and comprehensive education are equally important. Collaboration between companies, government, and civil society must be encouraged to build a robust and sustainable ESG ecosystem. Sitanggang, R. P., & Ratmono, D. (2019).

4. Conclusions

The implementation of environmental, social, and governance (ESG) principles in companies as a strategy to achieve sustainable development goals (SDGs) is a crucial factor in investor confidence, brand reputation, and long-term growth. Companies that integrate ESG values into their operations are not only more resilient to global risks but also play an active role in creating a more sustainable and inclusive future. This concept highlights not only financial performance but also how companies contribute to environmental sustainability, social welfare, and the implementation of transparent and responsible business governance. Companies can minimize ecological impacts, improve the well-being of employees and communities, and maintain integrity in every decision-making process.

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