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Utilizing Disclosure Analysis to Bridge ESG Implementation Gaps: A Study Case PT XCXIND

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ABSTRACT

The rise of sustainability goals globally has placed the Environmental, Social and Governance (ESG) framework as a pivotal benchmark in measuring corporate performance. This study evaluates the ESG implementation and compliance of PT XCXIND, a major player in Indonesia's nickel industry, which plays a pivotal role in the advancement of clean energy. Through disclosure analysis of the sustainability report issued by PT XCXIND in 2023, and ESG ratings issued by Sustainalytics, LSEG, S&P Global, and SRI-KEHATI, complemented by interviews with experts, this study identifies achievements and areas of improvement in ESG practices. PT XCXIND has shown excellence in environmental initiatives, such as the use of renewable energy, reduction of carbon emissions and biodiversity conservation. However, there are still some challenges in terms of social equity and governance such as stakeholder engagement and governance transparency. This study proposes strategic recommendations to improve ESG performance by focusing on sustainable innovation, carbon management, social responsibility and improved governance. Strengthening these areas will improve PT XCXIND's ESG rating, increase investor confidence and support long-term sustainability goals.

INTRODUCTION

Climate change is an urgent global challenge that compels many countries to implement various sustainability policies, including the transition to more environmentally friendly energy. According to the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement was officially adopted in 2015 to limit the global temperature rise to below 2°C compared to pre-industrial levels, while also striving to not exceed 1.5°C. According to the Intergovernmental Panel on Climate Change (IPCC), if the 1.5°C threshold is surpassed, the impacts on the climate will become increasingly severe, including heightened droughts, extreme heatwaves, and more frequent and intense rainfall. To avoid this, global greenhouse gas emissions must peak before 2025 and be reduced by 43% by 2030 (IPCC, 2022). In addition, as part of the efforts to support global sustainability, the United Nations (UN) in 2015 adopted the Sustainable Development Goals (SDGs) as targets expected to be achieved by 2030. The SDGs consist of 17 interconnected goals to address various global issues, such as poverty, social inequality, climate change, and environmental degradation. By implementing these sustainability targets, it is hoped that a framework will be established that allows countries and companies to contribute to creating a more sustainable ecosystem. The mining industry has a notable impact on the environment, particularly in terms of deforestation, damage to surrounding ecosystems, and high carbon emissions. To mitigate this negative exposure, companies can adopt Environmental, Social, and Governance (ESG), a framework that come up with structured guidance in enhancing sustainability, transparency, and ethical standards in business operations (Deloitte, 2021).

The Environmental, Social, and Governance (ESG) framework encompasses three main dimensions that are the focus of corporate operations. The environmental aspect emphasizes the impact of business activities on climate change, carbon emissions, energy efficiency, and the preservation of biodiversity. The social aspect focuses on how companies build relationships with various stakeholders, including employees, suppliers, customers, and the surrounding community. The governance aspect reflects principles of business ethics, transparency in decision-making, and compliance with applicable regulations. In recent years, the concept of Environmental, Social, and Governance (ESG) has become a primary focus across various industrial sectors worldwide, including in Indonesia. Companies are increasingly encouraged to implement ESG standards as part of their commitment to sustainability (Alsayegh, Rahman, & Homayoun, 2020). Furthermore, companies with higher ESG scores tend to have a lower cost of debt, due to their strong governance (Perdiansyah & Ulpah, 2024).

ESG reporting plays a crucial role in enhancing business transparency by providing clear information regarding environmental impact, social responsibility, and corporate governance. Effective communication related to sustainability not only raises public awareness but also strengthens stakeholder engagement in supporting more responsible business practices (Arief et al., 2022). PT XCXIND, a large mining company in Indonesia that has been operating since 1968, has adopted the ESG framework as a strategic step in supporting global sustainability goals. Nevertheless, the implementation and compliance with ESG standards remain a challenge for many companies, particularly in terms of reporting consistency and alignment with global standards (Global Reporting Initiative, 2021). This research analyzes the sustainability report of PT XCXIND to evaluate the extent to which the company has adhered to international ESG standards. Through this approach, it is hoped that aspects requiring improvement can be identified, as well as strategies that can be applied to enhance the effectiveness of ESG reporting and implementation within the company.

LITERATURE REVIEW

The Environmental, Social, and Governance (ESG) concept has evolved into a key framework for assessing corporate sustainability performance. Sustainability reports play a crucial role for stakeholders, including investors, regulators, and the public, as they provide insights into how companies manage environmental risks, promote social responsibility, and ensure good governance practices.

1. ESG Framework

   The increasing global demand for companies to be able to manage their operations more responsibly and sustainably has made Environmental, Social, and Governance (ESG) a key pillar that encourages more ethical sustainable business practices. The ESG approach is a comprehensive concept that combines environmental, social, and governance aspects to assess the impact and sustainability risks in a business (Deloitte, 2023). Meanwhile, Eco-efficiency and sustainability performance significantly impact firm value, while green innovation may not always directly translate into financial benefits (Widyastuti & Endarwati, 2025). By implementing the ESG framework, the company is expected to reduce environmental risks, improve social welfare, and ensure transparent and ethical governance in every operational activity. Furthermore, effective ESG implementation not only has a positive impact on the sustainability of companies, especially in environmental and social aspects but also contributes to improving economic performance by adapting their business practices to stakeholder expectations (Alsayegh et al., 2020). In the mining industry, the reporting must be aligned with global standards, Comparative analysis shows that effective ESG reporting can enhance corporate transparency and strengthen stakeholder trust (Barbosa et al., 2023). Furthermore, the implementation of standardized sustainability metrics enables companies to measure and compare their ESG performance more effectively (Li et al., 2021). An increasingly common approach to ESG disclosure is the use of internet-based reporting. Internet-based sustainability reporting can increase corporate transparency by providing more accessible information to investors and stakeholders. However, its effectiveness in improving corporate performance still depends on investor perceptions and applicable regulations (Tumewu et al., 2024).

2. ESG implementation in business
   The application of Environmental, Social, and Governance (ESG) in corporate operations requires stages that are tailored to the industry sector in which the company operates. The implementation of the ESG framework necessitates thorough strategic planning to measure operational sustainability and ensure the achievement of business objectives aligned with global sustainability standards. External pressures often serve as driving factors in the adoption of ESG, such as demands from regulators and investors increasingly pushing companies to adopt more transparent practices. Therefore, a strong commitment from company leaders or top-level management is a key aspect in ensuring the successful implementation of ESG. By having measurable targets and strategies, top-level management must take proactive steps to ensure that sustainability can be effectively maintained. In addition to leadership commitment, the development of an ESG roadmap is a crucial step in achieving long-term sustainability goals. This roadmap provides strategic direction for the company to meet established ESG targets. Sustainable ESG implementation requires periodic evaluations to assess the effectiveness of the strategies that have been applied. Companies need to measure their ESG achievements through objective indicators and make continuous improvements based on evaluation results. Furthermore, external audits can also provide independent insights into the company's ESG performance, thereby assisting the company in enhancing compliance with global standards and increasing credibility in the eyes of stakeholders (Nindita Radyati et al., 2023).
3. ESG Rating
   The ESG assessment is a method for measuring a company's performance in environmental, social, and governance (ESG) aspects. The results of this assessment are utilized by investors, stakeholders, and companies to evaluate sustainability practices, ethical behavior, and risk management beyond financial aspects. To obtain an ESG rating, a company must meet various indicators used in the ESG score assessment. Each rating agency has different assessment parameters in determining a company's ESG score. Therefore, there are several ESG indicators published by various institutions as references in the assessment process.Agencies such as Sustainalytics, LSEG, S&P Global, and SRI-KEHATI provide ESG ratings based on specific indicators and methodologies. These ratings assess a company's exposure to ESG risks and its management effectiveness. Each difference in the rating criteria allows a comprehensive disclosure analysis to meet diverse stakeholder expectations.
4. Impact of Implementing ESG
   The integration of the Environmental, Social, and Governance (ESG) framework into business operations can enhance financial transparency, and operational efficiency, and strengthen the

company's reputation in the eyes of investors. Furthermore, the implementation of ESG has an impact on the community. As a form of corporate responsibility, ESG encourages the creation of a balance between business growth, environmental preservation, and community welfare. The increasing global focus on sustainability issues drives companies to achieve good ESG scores; this initiative is undertaken to enhance competitive advantage in positioning themselves in the market. Various studies indicate a positive correlation between high ESG scores and financial performance as well as investor confidence (Kim et al., 2022). Companies that comply with ESG principles tend to be more attractive to long-term investors and experience a reduction in capital costs (Xu et al., 2022). In addition, sustainable investment funds are increasingly using ESG ratings as a primary tool in the investment selection process (Sahoo & Kumar, 2022). Companies with higher ESG scores are more attractive to investors, as they are perceived to have lower risks and better sustainability potential. High ESG scores contribute to an increase in the market valuation of companies, which means that companies find it easier to obtain investments and funding from financial institutions (PwC, 2023). With better funding, companies can invest more freely in research and development, innovate products, and implement more adaptive marketing strategies, which ultimately can enhance their competitiveness.

5. Sustainable business

   The integration of environmental, social, and economic aspects in business practices aims to achieve long-term success without sacrificing the well-being of future generations for the sake of business. Sustainable businesses must strive to balance the achievement of profits by minimizing negative impacts on the environment and society, as well as providing benefits to stakeholders such as investors and governments. In addition to playing an active role in maintaining the environmental ecosystem, sustainable business also emphasizes fair labor practices and pays attention to the welfare of employees and surrounding communities affected by business operations. Steps taken in this context include providing safe working conditions, increasing employee engagement, and implementing diversity in the workplace. In addition, the company can also contribute to the welfare of the surrounding community through support in the fields of education, health, and various other social initiatives. By implementing these practices, companies can not only improve their relationship with the surrounding community but also strengthen their business image and sustainability in the long term (Liu et al., 2023).

METHODS

This study employs a qualitative research approach and focusing on content analysis to evaluate PT XCXIND's ESG disclosures. The methodology used are:

Data Collection

Secondary data from PT XCXIND’s 2023 sustainability report and ESG ratings from Sustainalytics, LSEG, S&P Global, and SRI-KEHATI.

Disclosure Analysis

The disclosure analysis involves evaluating PT XCXIND's sustainability report against ESG indicators provided by the aforementioned agencies. Each indicator is assessed using a binary scoring method, which are:

- A score of 'Yes' (assigned a value of 1) is given if the company has adequately disclosed information related to a specific ESG indicator.
- A score of 'No' (assigned a value of 0) is given if the information is missing, incomplete, or not clearly articulated.

This method allows for a clear and objective assessment of the extent to which PT XCXIND meets disclosure requirements.

Gap Identification

After evaluating the disclosures, a gap analysis is conducted by comparing the company's reported information with global ESG standards. The gaps are identified by summarizing the indicators with 'No' scores to highlight the discrepancy in PT XCXIND with the standard. This analysis helps to determine which dimensions that require improvement so the company would able to provide a strategic recommendation to improve.

RESULTS

In the disclosure analysis process, an in-depth evaluation of the implementation of the Environmental, Social, and Governance (ESG) framework at PT XCXIND was carried out. This evaluation refers to the standards and indicators that have been set by various ESG rating agencies. The analysis aims to assess the extent to which companies have met sustainability principles in environmental, social, and governance aspects, as well as identify areas where improvements are still needed to improve transparency and accountability in ESG reporting.

Table 1 ESG Indicators with Sustainalytics

Category	Indicator	Disclosure
Environmental	Emissions, Effluents, and Waste	1
	Carbon – Own Operations	1
	Carbon – Products and Services	1
	Environmental and Social Impact	1
	Land Use and Biodiversity	1
	Supply-Chain Land Use and Biodiversity	0
	Water Use - Own Operations	1
	Water Use - Supply Chain	0
	Raw Material Use	1
Social	Access to Basic Services	0
	community Relations	1
	Human Rights	1
	Human Rights - Supply Chain	0
	Human Capital	1
	Occupational Health and Safety	1
Governance	Corporate Governance	1
	Stakeholder Governance	1
	Business Ethics	1
	Data Privacy and Cybersecurity	0
	ESG Integration - Financials	0
	Product Governance	0
	Resilience	0

Table 2 ESG Indicators with LSEG

Category	Indicators	Disclosure
Environmental	Emission	1
	Waste	1
	Biodiversity	1
	Environmental Management System	1
	Product Innovation	0
	Green Revenues, R&D, and CapEx	0
	Resource Uses	1
	Energy	1
	Sustainable Packaging	0
	Environmental Supply Chain	0
Social	Community	1
	Human Rights	1
	Responsible Marketing	0
	Product Quality	1
	Data Privacy	0
	Workforce	1
	Career Development and Training	1
	Working Conditions	1
	Health and Safety	1
Governance	CSR Strategy	1
	ESG Reporting and Transparency	1
	Structure (independence, diversity, committees)	1
	Compensation	0
	Shareholder rights	1
	Takeover defences	0

Table 3 ESG Indicators with S&P Global

Category	Indicators	Disclosure
Environmental	Biodiversity	1
	Climate Transition and Physical Risks	1
	Energy	1
	Environmental policy and management	1
	Sustainable products and services	0
	Sustainable raw materials	1
	Waste and pollutants	1
	Water	1
Social	Customer relation	0
	Human capital management	1
	Human right	1

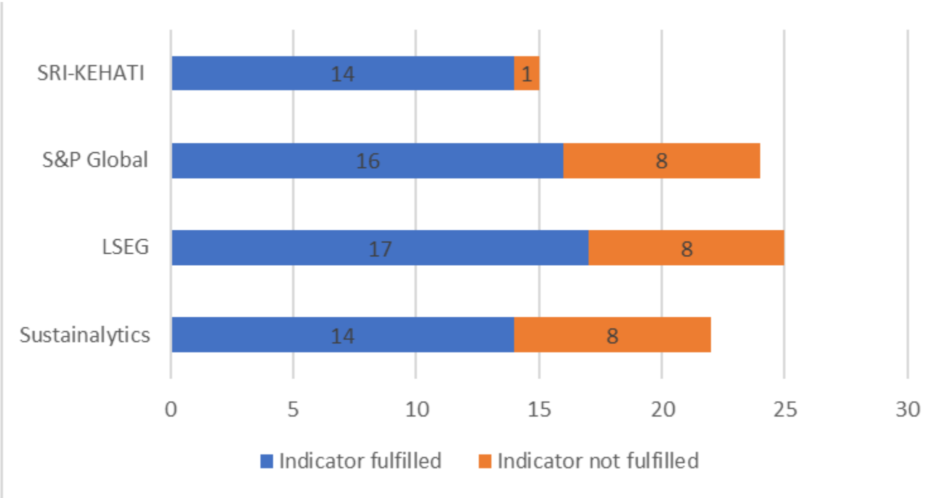
	Labor practices	1
	Occupational health and safety	1
	Privacy protection	0
	Product/service quality and safety	1
	Society and community relation	1
Governance and economic	Corporate governance and ethics	1
	Cybersecurity	0
	Policy influence	0
	Risk and crisis management	1
	Supply chain management	0
	Tax strategy	0

Table 4 ESG Indicators with SRI-KEHATI

Category	Indicators	Disclosure
Environmental	Sustainable Products and Product Innovation	0
	Natural Resources and Biodiversity	1
	Energy Use	1
	Greenhouse Gas Emissions	1
	Waste Management	1
Social	Employee Training and Development	1
	Labour Practices	1
	Occupational Health and Safety	1
	Product Safety	1
	Environmental-Social Impact	1
Governance and economic	Shareholder Rights Protection Mechanism	1
	Competence and Role of the Board of Commissioners & Directors	1
	Quality and Disclosure of Information	1
	Business Ethics and Stakeholder Engagement	1
	Sustainability Management Practices	1

Based on the disclosure, PT XCXIND has met 60 out of 84 analyzed indicators, while 24 indicators remain unmet. This achievement indicates a fairly good level of compliance with global sustainability standards, although there are still aspects that need improvement. The indicators that have been met reflect the company's commitment to environmental, social, and governance aspects. However, there is still room for further development, particularly in enhancing transparency, improving environmental management, and strengthening engagement with stakeholders.

Figure 1 Summaries of Total Indicators



Environmental Performance

PT XCXIND shows strong environmental practices, especially in areas related to renewable energy adoption and carbon footprint reduction. The company has detailed disclosures on its efforts to manage emissions, promote energy efficiency, and conserve biodiversity. However, there are gaps in the reporting of water resource management and supply chain sustainability which are crucial for comprehensive environmental impact assessment.

Social Performance

The analysis indicates that PT XCXIND's social disclosures are limited, particularly in areas related to diversity, equity, and inclusion (DEI). The company provides general information on community development programs but lacks detailed data on employee welfare, labour practices, and human rights initiatives within its supply chain. This gap could affect stakeholder perceptions regarding the company's commitment to social sustainability.

Governance Practices

In the Governance aspect, disclosure is found to be incomplete. Especially in the risk management, anti-corruption measures, and board diversity area. While the company reports on its corporate governance framework, it lacks specific details on the effectiveness of governance practices as well as the role of the board in overseeing ESG strategies.

DISCUSSION

The existing gaps in PT XCXIND's ESG disclosures show the need for improvement in its reporting practices. ESG reporting is now about building trust with stakeholders. Thus, the lack of details in social and governance aspects shows that PT XCXIND may struggle to effectively communicate its ESG commitments and progress. In that connection, strengthening these disclosures can bring several advantages including:

Enhanced Transparency

If the company can provide clear and detailed ESG information, it'll help them to build trust and improve the company's reputation among stakeholders. To enhance ESG disclosures, companies can adopt real-time sustainability tracking tools, leveraging AI-driven analytics and blockchain-based transparency (Liu et al., 2023). Implementing Dynamic Materiality ensures that sustainability efforts remain responsive to market expectations and regulatory changes (Gebhardt et al., 2022).

Better Risk Management

Identifying and disclosing ESG-related risks will allow the company to take early action and develop effective mitigation strategies.

Attracting Sustainable Investment

More investors are now considering ESG factors in their investment decisions. The improved disclosures can make PT XCXIND more appealing to investors who lean toward ESG.

To address the discrepancies, PT XCXIND should take a more structured approach to ESG reporting by integrating sector-specific benchmarks, adopting real-time sustainability tracking tools, and enhancing stakeholder engagement mechanisms

CONCLUSION

This study highlights the importance of comprehensive ESG disclosures in bridging implementation gaps at PT XCXIND. While the company has made significant progress in environmental sustainability, improvements are needed in social and governance disclosures. The identified gaps suggest that PT XCXIND should enhance its ESG reporting to improve transparency, stakeholder engagement, and alignment with global sustainability standards.

1. Strengthen ESG reporting frameworks to cover all dimensions comprehensively.
2. Enhance stakeholder engagement processes and transparency in governance practices.
3. Regularly benchmark ESG disclosures against international standards to identify and address gaps.

By adopting these recommendations, PT XCXIND can improve its ESG performance, attract sustainable investments, and support long-term business growth.

LIMITATION

Despite the comprehensive approach, this study has several limitations, which are:

1. Reliance on Secondary Data
   The analysis is based primarily on PT XCXIND's sustainability report, which may not capture all internal ESG practices.
2. Limited Scope
   The focus is on disclosure analysis without direct assessment of actual ESG implementation outcomes.
3. Potential Bias in ESG Ratings
   Different methodologies used by ESG rating agencies may introduce bias in performance assessments.

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