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INTEGRATION OF SUSTAINABILITY REPORT AND ESG RATING IMPLEMENTATION ON OPERATIONAL PERFORMANCE AND REPUTATION: PT PETROKIMIA GRESIK

Karmila Eka Putri[1]* Masiyah Kholmi[2], Mursidi[3].
University of Muhammadiyah Malang
E-mail: karmilaputry04@webmail.umm.ac.id, masiyah@umm.co.id, mursidi@umm.ac.id

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Abstract

Research Objective: This study aims to analyze the integration of Sustainability Reports and ESG Ratings in PT Petrokimia Gresik and its impact on the company's operational performance and reputation from economic, environmental, social, and governance perspectives. Design/Methods/Approaches: A qualitative case study approach is used to explore how SR and ESG integration is implemented and internalized across the organization, with a focus on key informant insights. Research Findings : The integration of SR and ESG at PT Petrokimia Gresik significantly improves the company's operational efficiency and reputation. These elements are embedded in performance targets and decision-making, demonstrating deep organizational alignment. Theoretical/Originality contribution: This study bridges the research gap by analyzing the integration of SR and ESG simultaneously using the Triple Bottom Line framework, providing new insights into sustainability practices in Indonesia's chemical industry. Practitioner/policy implications: These findings serve as a practical guide for companies and regulators in developing sustainable business strategies and policies based on ESG data, supporting stakeholder trust and long-term competitiveness. Limitations of the study: This one-case qualitative study limits generalization and may bring subjectivity. Further quantitative or comparative research is recommended to improve external validity.

Keywords: ***Sustainability Report, ESG Rating, Operational Performance, Company Reputation***

INTRODUCTION

In recent years, increased attention to sustainability and corporate responsibility has changed the way companies communicate their environmental and social impact. Traditional financial reporting models are no longer sufficient to provide a holistic view of a company's long-term value creation. These limitations led to the emergence of sustainability reporting (SR), which complements financial data with the disclosure of social, environmental, and governance aspects. The relevance of sustainability reporting is particularly prominent in sectors with high environmental and social impacts, such as the chemical and fertilizer industries. In Indonesia, increasing awareness of corporate sustainability is supported by regulations such as POJK No. 51/POJK.03/2017, which mandates listed companies and financial institutions to report on Environmental, Social, and Governance (ESG) issues. These regulatory developments are in line with global trends that demand greater transparency and accountability from companies. However, despite this regulatory framework, the integration of SR and ESG ratings into core business operations is still evolving, and its impact on a company's operational performance and reputation is still underexplored. One of the emerging frameworks that guides a company's sustainability performance is ESG ratings. This rating evaluates how well a company is performing in managing environmental risks, fulfilling social responsibility, and upholding good corporate governance. This has become a key consideration for investors, regulators, and stakeholders in assessing a company's sustainability. Nonetheless, there is a striking gap in the academic literature that simultaneously examines the integration of ESG ratings with sustainability reporting, particularly in the operational and reputation dimensions. Several recent studies have explored these aspects independently. For example, Gaffar & Handayani (2023) found that the disclosure of sustainability reports significantly improves a company's reputation, even when the level of openness is relatively low [1]. Similarly, Wardoyo et al. (2022) affirm a positive relationship between sustainability reporting and stakeholder trust, which indirectly supports reputation building [2]. On the other hand, Safriani & Utomo (2022) argue that ESG disclosure has a positive impact on operational performance and financial results, suggesting that ESG transparency contributes to internal efficiency and risk mitigation [3]. However, not all research supports this view. Zidane & Kurnianti (2023) found that ESG factors, when assessed separately, do not have a statistically significant impact on company performance, suggesting that ESG adoption may not automatically translate into business excellence unless properly integrated with strategic objectives [4]. Fachrezi et al. (2024) also note that ESG risk has a limited influence on the value of companies in the Indonesian capital market, implying that market participants may not fully incorporate ESG information into investment decisions [5].

These different findings point to the need for a more integrative approach in examining how SR and ESG collectively affect organizational outcomes. The study responded to these gaps by investigating the integration of sustainability reporting and ESG rating practices at Indonesia's leading fertilizer company, PT Petrokimia Gresik, and its impact on operational efficiency and corporate reputation. PT Petrokimia Gresik presents an ideal case study because of its strategic role in Indonesia's agro-industrial sector and its long-standing commitment to sustainability. As a subsidiary of Pupuk Indonesia Holding Company, the company operates in industries with significant environmental and social externalities. PT Petrokimia Gresik consistently publishes sustainability reports that are in line with the Global Reporting Initiative (GRI) and has received ESG recognition such as ASRRAT Platinum Rank. These attributes position companies as models for examining how structured sustainability initiatives affect internal operations and stakeholder perceptions. The novelty of the study lies in its integrative framework, which combines a Triple Bottom Line (TBL) approach—economic, social, and environmental dimensions—with ESG rating metrics to evaluate internal and external outcomes. Unlike previous studies that analyzed SR and ESG separately, this study explored the synergies between the two and their combined effects on operational performance (e.g., energy efficiency, waste management, regulatory compliance) and reputation (e.g., media image, investor trust, awards).

In addition, the study adopts a qualitative case study methodology, allowing for a nuanced understanding of internal processes, organizational culture, and managerial strategies that drive sustainability integration. It examines how sustainability principles are incorporated across the organisational level and translated into measurable results. The main research questions discussed were: How does the integration of sustainability reporting and ESG ratings affect the company's operational performance and reputation at PT Petrokimia Gresik? These questions are addressed through structured interviews, document analysis, and field observations involving key personnel responsible for the company's sustainability and reporting functions. By focusing on Indonesia's leading industrial companies, the study contributes practical insights for regulators, corporate managers, and investors seeking to improve sustainability practices not only for compliance but as a strategic asset. These findings are expected to provide guidance for formulating impactful and replicable sustainability policies in similar industry contexts.

RESULTS AND DISCUSSION

The integration of Sustainability Report (SR) and ESG Rating in PT Petrokimia Gresik has revealed significant implications for the company's operational performance and reputation. Through structured interviews, document analysis, and secondary data validation, several themes emerged that demonstrate the effectiveness of a strategic sustainability framework when aligned with corporate goals.

A. Impact on Operational Performance

Key operational improvements were observed in the domains of energy efficiency, environmental compliance, and internal risk management. PT Petrokimia Gresik has implemented ISO 14001:2015 and ISO 50001 standards, optimizing energy use through the adoption of renewable energy sources such as solar panels and implementing digital monitoring of utilities. This practice reduces energy consumption and operational costs, supporting the company's commitment to resource efficiency. The company's ability to maintain the Green PROPER rating from the Ministry of Environment further validates its compliance with environmental regulations. In addition, through a controlled water recycling and hazardous waste disposal system, PT Petrokimia Gresik has minimized its environmental footprint. These findings support the Triple Bottom Line theory, which asserts that economic, environmental, and social performance must be balanced to achieve sustainable development. These findings resonate with Safriani & Utomo (2022) [3], who found that companies with transparent ESG disclosures experience increased operational efficiencies due to risk anticipation and better internal controls. However, this study differs by emphasizing that SR alone, without the integration of structured ESG into KPI targets, may not have strategic weight.

B. Impact on Company Reputation

Improved reputation was identified as a secondary but significant result of SR and ESG integration. Petrokimia Gresik's consistent recognition in the Asia Sustainability Reporting Rating (ASRRAT) and Top CSR Awards illustrates external recognition of its responsible business behavior. The informant cited increased stakeholder trust, especially among institutional investors and regulators, as ESG scores and third-party verification increased. CSR programs that emphasize social welfare, empowerment, and sustainable agriculture further strengthen public relations, in line with stakeholder theories that positive social performance enhances public perception. These reputational benefits can be leveraged to attract partnerships, funding, and talent. While these results are consistent with Gaffar & Handayani (2023) [1], which noted the correlation between SR disclosure and stakeholder trust, the study further shows that tiered ESG targets to operational units reinforce this impact, as echoed in internal interviews.

C. Strategic Integration and Alignment Mechanism

This study identified that the integration process is most effective when ESG and SR elements are embedded into a company's performance evaluation system. At Petrokimia Gresik, sustainability metrics are aimed at individual departments and performance indicators, making sustainability an operational imperative rather than a compliance formality. This aligns with Elkington's TBL framework and refines it through the lens of ESG implementation. This synergy between theory and practice ensures that sustainability is not peripheral but central to the company's strategy.

D. Limitations

The main limitation of this study lies in its single case design, which limits the generalization of the findings. While PT Petrokimia Gresik offers an exemplary model, the level of maturity of the organization, industry sector, or a varied governance culture can result in different integration outcomes. In addition, because this study relies on qualitative data from internal sources, there is a potential for positive bias or social desire effects. In addition, due to limited access to ESG rating agency methodologies, detailed scoring mechanisms remain opaque, limiting the ability to quantitatively map SR elements to ESG score enhancements.

E. Future Research Directions

Future research should explore multi-case studies across various sectors, especially heavy industries, to validate findings across a variety of operational models. Quantitative models that link specific sustainability disclosures to ESG score and financial performance components will further deepen understanding. Other research directions could involve exploring the role of digital technologies, such as AI and blockchain, in improving SR transparency and ESG tracking.

F. Implication

Theoretically, this study expands the literature by showing that the integration of SR and ESG is not only additive but synergistic—together improving internal performance and external perceptions. Practically, it provides a replicable framework for state-owned companies or other industries that want to embed sustainability into their core strategies. It also informs policymakers and ESG rating agencies of the value in promoting an integrated framework rather than an isolated metric.

CONCLUSION

The study concludes that the strategic integration of Sustainability Reporting and ESG Ratings significantly affects the company's operational performance and reputation at PT Petrokimia Gresik. By embedding sustainability principles into internal performance targets and aligning them with externally validated ESG metrics, companies demonstrate how sustainability can be a lever for value creation. In terms of operational impact, the company achieved significant improvements in resource efficiency, environmental compliance, and risk mitigation. From a reputation standpoint, improved visibility and transparency result in increased stakeholder trust and recognition in sustainability-related awards. These results are consistent with but also extend previous research, offering an integrative approach that links the Triple Bottom Line framework to ESG performance in an industrial environment. This study contributes to the development of the accounting literature on sustainability and corporate governance by offering an applied model of ESG-SR integration. It also informs practitioners in similar industries about the benefits of translating sustainability from reporting functions into performance-driven mechanisms.

Through this work, the field of industrial and environmental accounting is enriched with practical insights and theoretical clarity on how sustainability, when applied strategically, not only improves accountability but also strengthens the resilience and competitiveness of businesses in global markets.

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