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Implementation of ESG Principles as a Corporate Sustainability Strategy: A Literature Study

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Abstract: Companies are driving a shift in the global business paradigm to not only achieve financial benefits, but also pay attention to social and ecological responsibilities as part of their sustainability strategy. The principles of environment, social issues, and governance (ESG) are the main settings for assessing and managing non-financial effects that affect a company's services and reputation. The purpose of this study is to investigate the implementation of ESG as a sustainability strategy for companies through literature research from various academic sources and business reports. The results of this study indicate that the implementation of ESG offers significant benefits, including increased operational efficiency, fame, funding, and competitiveness. However, Indonesian companies still face challenges, including limited resources, lack of understanding of management, and integrated reporting standards. This study confirms that the integration of ESG into business strategy is not only a moral and regulatory requirement, but also a competitive advantage in addressing global dynamics, and supporting the achievement of the Sustainable Development Goals (SDGs).

Keywords: ESG, Corporate Sustainability, Business Strategy, Non-Financial Risk, SDGs

Introduction

The change in the global business paradigm in the last ten years, global dynamics, energy crisis, environmental damage, and social inequality have encouraged the world of trade / business to review its role and responsibility towards sustainability. Companies are no longer sufficient to focus only on achieving economic profit alone, but are required to contribute to creating long-term value that is balanced between economic, social, and environmental aspects. The failure of companies to respond to sustainability issues has the potential to cause reputational, financial, and even operational risks.

ESG is a framework used to measure the non-financial impacts of a company's activities, which have the potential to affect the company's financial performance and reputation in the eyes of the public. The application of this principle is not only aimed at meeting regulatory and investor expectations, but also to create added value for the company and society at large. With the increasing global awareness of sustainable development, companies are required to integrate ESG principles into their business strategies as a form of adaptation to the dynamics of the external environment.

The implementation of ESG principles has been proven to provide various strategic benefits for companies, ranging from improved reputation, easy access to financing, customer loyalty, to stronger competitiveness in facing global challenges such as the climate crisis, pandemics, and digital transformation. On the other hand, companies that ignore ESG aspects risk facing social pressure, strict regulations, and decreased market confidence.

In developed countries such as Indonesia and other developing countries, awareness of the importance of ESG is still developing, but shows a positive trend. Governments, financial institutions, and investors are starting to encourage the implementation of more sustainable business practices through various regulations and incentives. However, the implementation of ESG principles still faces a number of challenges, including limited resources, lack of managerial understanding, and the absence of uniform and measurable reporting standards.

As global attention to sustainability and corporate responsibility increases, it is important to examine more deeply how ESG principles are implemented by companies as part of their sustainability strategies. Through a literature study approach, this study aims to develop a comprehensive picture of ESG implementation in various industrial sectors, including motivations, approaches, outcomes, and obstacles faced. This study also aims to evaluate the contribution of ESG principles in strengthening corporate resilience to external dynamics and in supporting the achievement of sustainable development goals (SDGs).

This study aims to systematically review relevant literature on the application of ESG principles in the context of corporate sustainability strategies through literature studies, this study tries to identify a trend with benefits, challenges, and best practices that have been implemented by various companies in adopting ESG principles. The results of this study are expected to provide comprehensive insights into ESG as one of the strategic approaches in facing today's business challenges, as well as supporting the company's contribution to achieving the Sustainable Development Goals (SDGs).

Theoretical Study

A. Environmental, Social, and Governance (ESG) Principles

Environmental, Social, and Governance (ESG) Principles are a strategic framework that has evolved in response to the growing need to assess corporate performance not only in financial terms, but also in terms of social and environmental responsibility. ESG is used to help companies, investors, and other stakeholders measure and manage non-financial impacts and risks relevant to long-term sustainability.

1. Environmental Aspects

   According to (Zarkasih et al., 2024) the environmental dimension of ESG encompasses all corporate actions and policies related to protecting and preserving nature. This includes carbon emission management, efficient use of energy and water, waste management, use of sustainable raw materials, and adaptation to climate change. Companies with a good environmental strategy will be better able to reduce operational risks due to climate disasters and increasingly stringent environmental regulations. In addition, these efforts reflect the company's moral responsibility to future generations and contribute to the sustainable development goals (SDGs).

2. Social Aspect

   Social aspects assess how a company interacts with its employees, local communities, consumers and supply chain. This includes issues such as working conditions, human rights, occupational health and safety, diversity and inclusion, and the social impact of the products or services offered. Companies that pay close attention to social aspects tend to build stronger and more sustainable relationships with stakeholders, reduce the risk of industrial conflict, and improve employee loyalty and public reputation.

3. Governance Aspects

   Governance refers to the systems and processes used to direct and manage a company. This includes transparency of reporting, board structure and independence, anti-corruption policies, protection of shareholder rights, and compliance with laws and regulations. Strong governance creates a solid foundation for a company to grow sustainably and ethically. Conversely, weaknesses in governance are often associated with financial scandals, conflicts of interest, and investor distrust.

4. ESG as a Non-Financial

   Performance Assessment In many studies, ESG is positioned as a complement to conventional financial metrics. ESG provides a more comprehensive picture of a company's risk profile and opportunities. Research by (Mubin et al., 2023) suggests that traditional financial reporting is no longer able to provide sufficient information for stakeholders to understand the company's overall activities and impacts. This is because financial reports only focus on historical and financial aspects, while ESG includes sustainability values that have a direct impact on the company's competitiveness and future survival.

B. Corporate Sustainability Concept

On the findings according to (Fairus & Murwaningsari, 2023) corporate sustainability is a strategic approach that emphasizes the importance of balance between economic achievement, environmental preservation, and social responsibility as the main foundation for the long-term survival of a business entity. In this framework, companies are no longer only oriented towards short-term profits, but also on the impacts they have on society and nature as an integral part of the business ecosystem. This concept was first widely popularized by John Elkington through the Triple Bottom Line (TBL) approach in 1997, which divides indicators of corporate success into three main dimensions: profit (economic), people (social), and planet (environment). This approach shifts the paradigm that good business performance is not only seen from the profits generated, but also from the extent to which the company creates a positive impact on society and the surrounding environment.

In the economic dimension, sustainability means that companies are able to consistently create value and profit, while paying attention to resource efficiency and long-term innovation. In the social dimension, companies are expected to be able to maintain employee welfare, respect human rights, and make real contributions to local communities. Meanwhile, in the environmental dimension, companies are responsible for reducing carbon emissions, managing waste wisely, and using natural resources sustainably. Amidst the increasingly real currents of globalization, digitalization, and climate change, sustainability is one of the determining factors of business competitiveness that cannot be ignored. Companies that ignore the principles of sustainability tend to be vulnerable to various risks, such as reputational crises, consumer boycotts, and losses due to strict environmental policies. Conversely, companies that are committed to the principles of sustainability tend to be more resilient, innovative, and receive support from investors and other stakeholders. In Indonesia, the urgency of sustainability is increasingly prominent, especially after the emergence of pressure from the global market, national regulators, and increasing consumer awareness. Sustainability is not only a moral demand, but also a strategic opportunity for companies to build a positive image, expand markets, and increase stakeholder trust. Sustainability also plays a vital role in meeting international commitments, such as the Paris Agreement and the Sustainable Development Goals (SDGs). Therefore, many companies have begun to formulate policies that are in line with sustainability principles, such as sustainability reporting, energy efficiency, recycling, and more measurable and impactful corporate social responsibility (CSR) programs.

C. ESG As A Corporate Sustainability Strategy

The implementation of Environmental, Social, and Governance (ESG) principles is no longer seen as merely a moral obligation or a form of corporate social responsibility, but has transformed into a key business strategy in creating long-term sustainability. ESG is now a strategic foundation used by companies to manage non-financial risks, strengthen competitiveness, and respond to global demands for responsible business practices.

According to (Nugroho & Soeratin, 2024), optimal implementation of the ESG framework helps companies face various contemporary challenges, such as climate change, shifting consumer expectations, and pressure from institutional investors who are increasingly considering sustainability aspects in investment decisions. Their research confirms that companies that integrate ESG into their corporate strategy have better business resilience, while becoming more attractive in the eyes of stakeholders because they are able to demonstrate a commitment to sustainability values. One of the main functions of ESG in a sustainability strategy is its ability as a non-financial risk mitigation tool. Reputational risk, for example, can arise from unethical practices, human rights violations, or environmental pollution. While regulatory risk can arise from non-compliance with increasingly stringent environmental or employment regulations. ESG provides a systematic framework for companies to identify, map, and address these potential risks before they become serious threats to business continuity. Moreover, ESG drives efficiency and innovation through the adoption of environmentally friendly technologies, improvements in production processes, and more inclusive and participatory HR management. This strategy also supports the transformation of corporate culture to be more adaptive and responsible.

In the long term, ESG integration has been shown to increase customer loyalty, facilitate access to sustainable financing (green finance), and strengthen relationships with local communities. Research by (Fani et al., 2025) confirms that ESG, together with Good Corporate Governance (GCG), is a fundamental strategic instrument in creating a sustainable business ecosystem. They stated that consistent implementation of ESG and GCG not only increases stakeholder trust but also gives companies a significant competitive advantage amidst global market competition. Furthermore, ESG has been shown to strengthen corporate reputation. A good reputation is a very valuable intangible asset, as it contributes to improving brand image, investor attraction, and even consumer preference. In the digital era, where information can spread quickly, a positive image of a company's sustainability commitment is a crucial factor in maintaining business continuity.

In practice, many global companies have made ESG part of their key performance indicators (KPIs), even as a requirement for managerial incentives. This shows that ESG not only has an impact on external aspects, but has also become part of the internal decision-making system and organizational culture. In Indonesia itself, more and more companies are starting to prepare sustainability reports and align their business strategies with ESG principles, although they still face challenges in terms of understanding, financing, and measuring impact.

Research Method

This study uses a literature review method with a qualitative-descriptive approach. This approach was chosen to examine in depth the application of the Environmental, Social, and Governance (ESG) principles as a corporate sustainability strategy based on various secondary sources. Data were collected from scientific journal articles, academic books, corporate sustainability reports, and publications from international organizations such as GRI, UNGC, and WEF. The literature used was limited to publications from the last 10 years to maintain the relevance and actuality of the information. Data analysis was carried out using content analysis techniques with the stages of theme identification, categorization based on ESG dimensions, information synthesis, and data interpretation. To ensure validity, researchers used source triangulation and critical reading to ensure the quality and accuracy of the information analyzed.

Results and Discussion

Implementing ESG as a Corporate Sustainability Strategy

The implementation of Environmental, Social, and Governance (ESG) principles is now an important part of a company's long-term strategy. ESG is not only a risk assessment tool, but also acts as a driver of added value and competitiveness. By consistently implementing ESG principles, companies can create business models that are more resilient to changes in the external environment and stakeholder expectations. ESG helps companies understand and manage risks and opportunities related to environmental (such as climate change), social (such as labor relations and social responsibility), and governance (such as transparency and business ethics) aspects. This strategy is ultimately able to improve the company's reputation and strengthen the trust of investors and consumers. ESG has developed into a strategic framework to ensure that business growth goes hand in hand with long-term sustainability (Fani et al., 2025).

Due to its potential impact on a company's long-term financial performance, ESG becomes the basis for corporate decision-making in this context. For example, businesses that pay attention to the environment tend to use resources more efficiently, while social considerations help create a healthy workplace and increase productivity. In terms of governance, transparency and accountability can help reduce the possibility of irregularities. Therefore, implementing ESG strengthens the company's position in the eyes of stakeholders and encourages sustainable and responsible business performance (Fransisca et al., 2025).

According to (Fransisca et al., 2025) the relationship between companies and investors benefits from strong ESG implementation. More and more investors are considering sustainability factors when choosing their investment portfolios. Companies with good ESG performance tend to be more attractive to investors because they are considered to have greater ability to manage risks and face long-term challenges. In addition, investors can assess a company's commitment to responsible and ethical business practices through ESG information disclosure. As a result, ESG has become not only a trend but also an important tool for assessing a company's future prospects.

The use of environmental, social, and governance (ESG) principles clearly has various strategic advantages for companies. In addition to investor appeal, ESG companies can also help reduce long-term risks, including the impact of climate change, increasingly stringent regulations, and societal pressure on green business practices. Considering these three aspects, companies can build more adaptive and sustainable strategies for external challenges (Made et al., 2025). Transparency in ESG reporting is also a very important addition. If we openly provide sustainability guidelines and data, it shows a high level of accountability and integrity to increase investor confidence. Open and responsible businesses can manage risks and have long-term prospects (Junanda, 2024).

One specific form of ESG implementation is the application of environmental accounting, especially from an environmental perspective. This accounting allows companies to systematically record, measure, and report the effects of operational activities on the environment. This application allows businesses to assess the effectiveness of environmental management, improve efficiency in resource use, and increase stakeholder transparency (Mubin et al., 2023). However, in reality, many companies in Indonesia do not actually carry out environmental accounting. According to (Mubin et al., 2023), some companies only include environmental information in their sustainability reports, not as part of their sustainable business strategy, but as a form of formal compliance. This shows that companies' perceptions of the importance of strategic environmental management still need to be improved.

Furthermore, the widespread application of ESG has been shown to have a positive effect on a company's financial performance. Based on the findings (Antonius & Ida, 2023), companies that are consistent with the use of ESG principles tend to have better operational efficiency, have a higher reputation in the eyes of the public and investors, and have a higher level of profitability. While ESG is no longer considered a burden or form, it has become part of a management strategy that will increase the company's competitiveness in a sustainable manner.

In addition to its direct benefits to a company's reputation and operational performance, ESG also has a long-term impact on business resilience in the face of global crises, such as pandemics, economic turmoil, and increasingly extreme climate change. ESG not only serves as a risk management tool, but also as a strategic foundation for creating a resilient and future-oriented business model. In this context, companies that integrate ESG principles into their business policies and practices earlier have proven to be more adaptive in the face of external pressures and recover faster from crises (Mubin et al., 2023).

Environmental, Social, and Governance (ESG) principles are increasingly becoming a major concern in corporate sustainability strategies, especially in dealing with global environmental dynamics and stakeholder demands. Several studies have shown that the implementation of ESG not only contributes to environmental sustainability but also has a positive impact on the company's financial performance and reputation. For example, (Made et al., 2025) explains that ESG can be used as a tool to mitigate risks and strengthen the company's long-term value through more responsible management of environmental and social aspects. In addition, the implementation of ESG principles helps companies meet the expectations of investors who are now increasingly selective in channeling their funds to entities that demonstrate a commitment to sustainability (Made et al., 2025).

Furthermore, the literature discussed also highlights the importance of transparency and ESG reporting. In this regard, companies that openly report their ESG activities are more likely to build public trust and establish stronger relationships with stakeholders. ESG is also seen as an important indicator in assessing non-financial performance, which is increasingly relevant in the modern business era. Therefore, companies that integrate ESG into their business strategies tend to be more adaptive and resilient to external changes, including policy changes, environmental crises, and social pressures.

However, ESG adoption is not without challenges. One of the main obstacles is the gap in reporting standards and understanding that varies across industries and geographical regions. Therefore, a literature-based approach is important in identifying best practices that have been implemented by various companies around the world. Literature studies allow us to see how companies that have adopted ESG are able to increase competitiveness and ensure long-term business sustainability. Thus, ESG is not just a temporary trend, but has become a major foundation in building a responsible and sustainable business strategy.

Conclusion

The implementation of Environmental, Social, and Governance (ESG) principles has proven to be an important strategy in supporting the long-term sustainability of companies. ESG is no longer seen as merely a compliance tool or a complement to corporate social responsibility, but has transformed into an integral strategic framework for managing non-financial risks, increasing operational efficiency, and creating sustainable added value. Based on literature studies, the implementation of ESG has a positive impact on the company's reputation, attracting investors who increasingly emphasize sustainability aspects, and strengthening relationships with stakeholders through transparent, ethical, and inclusive business practices. Companies that integrate ESG into their business strategies have proven to be more resilient to global crises such as pandemics and climate change, and have a competitive advantage in a business era that increasingly demands environmental and social responsibility. However, in developing countries like Indonesia, the challenges of implementing ESG are still significant, ranging from a lack of managerial understanding to limited resources and a reporting system that is not yet uniform. This shows that the transition to sustainability still requires systemic support and strong commitment from various parties.

Suggestions

To optimize ESG implementation, it is necessary to increase ESG capacity and literacy at the company's managerial and operational levels. The government and regulatory agencies need to provide clear reporting guidelines and standards as well as incentives that encourage ESG integration into business strategies. Educational institutions and industry associations are also expected to be actively involved in socializing the importance of ESG through training and technical assistance. Companies need to make ESG part of their key performance indicators (KPIs), not just a reporting formality, so that the impact is more measurable and strategic. In addition, synergy between companies, communities, investors, and the government is very important to create a business ecosystem that supports sustainable development as a whole. ESG is not only about a positive image, but is a long-term investment to ensure business sustainability and a real contribution to achieving the Sustainable Development Goals (SDGs).

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