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Proposed Implementation Of Environmental, Social, And Governance (Esg) At Pt Permodalan Nasional Madani

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Abstract

This study aims to propose an Environmental, Social, and Governance (ESG) implementation framework for PT Permodalan Nasional Madani (PNM) by evaluating the company's current ESG practices and identifying strategic improvements aligned with national regulations and international standards. A qualitative research approach was employed, using purposive sampling to select key informants. Data were collected through in-depth interviews, document analysis, and observations. The analysis focused on comparing existing company policies, financing procedures, and sustainability initiatives with the requirements of Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on Sustainable Finance, POJK No. 22 of 2023 on Consumer Protection, ISO 26000:2010, the Global Reporting Initiative (GRI) Standards, and relevant theoretical frameworks, including Stakeholder Theory and the Triple Bottom Line. The findings indicate that PNM has integrated ESG principles into several financing programs, particularly Mekaar, ULaMM, and PKU, which emphasize financial inclusion and community empowerment. However, environmental and governance indicators have not yet been systematically incorporated into financing requirements, product documentation, and risk management processes. The study also reveals that digital transformation has improved transparency, accountability, operational efficiency, and financial inclusion, although challenges remain in ESG data availability, environmental performance measurement, sustainability reporting, and internal organizational readiness. Based on the gap analysis, this study proposes a five-year ESG implementation roadmap (2025–2029) consisting of five strategic phases: Strengthening Sustainability Performance, Empowering Growth through Sustainable Finance, Accelerating Performance through Sustainable Innovation, Creating Long-Term Value, and Leading with ESG for Impactful Business Transformation. The proposed roadmap is expected to strengthen PNM's sustainability governance, enhance regulatory

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compliance, improve stakeholder value creation, and support the company's long-term sustainable business transformation

Keywords: Environmental, Social, and Governance (ESG); Sustainable Finance; Sustainability Strategy; ESG Roadmap; Gap Analysis; PT Permodalan Nasional Madani (PNM).

INTRODUCTION

Environmental, Social, and Governance (ESG) represents a set of dimensions used by companies to manage investments in an environmentally responsible manner, promote positive interactions with employees and communities, and ensure sound corporate governance. Through the implementation of these principles, companies are expected to create long-term value while supporting business sustainability.

In Indonesia, the publication of Sustainability Reports as a form of ESG implementation has been mandatory for financial services institutions and publicly listed companies since 2019. However, due to the COVID-19 pandemic, the regulation was effectively implemented beginning in 2021. To support the achievement of its strategic objectives and sustainable finance initiatives in accordance with prevailing laws and regulations, PT Permodalan Nasional Madani (PNM) has actively undertaken the implementation of ESG principles.

Although PNM has published Sustainability Reports in accordance with Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 since 2021, the company has not yet established a comprehensive strategy for implementing Environmental, Social, and Governance (ESG) principles based on a clearly defined framework or model. This condition is partly attributable to the interpretation of the regulation, which does not specifically mandate ESG implementation for PNM in its capacity as a Special Financing Institution. Instead, the regulation primarily addresses PNM's obligations as a company listed in the capital market. Nevertheless, following PNM's integration into the Ultra Micro Holding, PT Bank Rakyat Indonesia (Persero) Tbk, as the holding company leader, has emphasized the importance of implementing ESG principles at PNM in a more structured and systematic manner.

A study conducted by Achim et al. (2023) found that improvements in corporate governance quality reflected in enhanced board efficiency, audit quality, female participation in ownership and top management, and increased digitalization serve as important mechanisms for improving corporate performance and promoting sustainable

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development. The study primarily focused on the impact of corporate governance on sustainable development.

Similarly, a study of Turkish companies conducted by Almagtome et al. (2020) focused on corporate governance quality, stakeholder pressure, and sustainable development. The findings revealed that social, environmental, and economic indicators, as the three pillars of sustainable development, are not merely the outcomes of corporate governance practices or stakeholder pressure. Rather, they represent a holistic reflection of the cumulative effects of various factors associated with corporate governance practices and stakeholder theory.

Furthermore, Fuadah et al. (2023) reported that most studies on Environmental, Social, and Governance (ESG) have employed quantitative methods using secondary data, with the majority of discussions concentrating on ESG disclosure and ESG performance. Although several studies have adopted qualitative approaches, they have not provided a comprehensive understanding of ESG implementation. Therefore, the authors recommended that future research employ qualitative methods to explore topics related to ESG disclosure or ESG performance in greater depth. Based on the factors influencing Environmental, Social, and Governance (ESG) implementation, the identified implementation gaps, and the research gaps found in previous studies, the researcher is interested in conducting a study entitled "Proposed Implementation of Environmental, Social, and Governance (ESG) at PT Permodalan Nasional Madani."

Objectives

This article intends

1. To propose the implementation of Environmental, Social, and Governance (ESG) based on the results of the gap analysis identified within the company
2. To identify, analyze, and evaluate sustainable finance within the Environmental, Social, and Governance (ESG) framework

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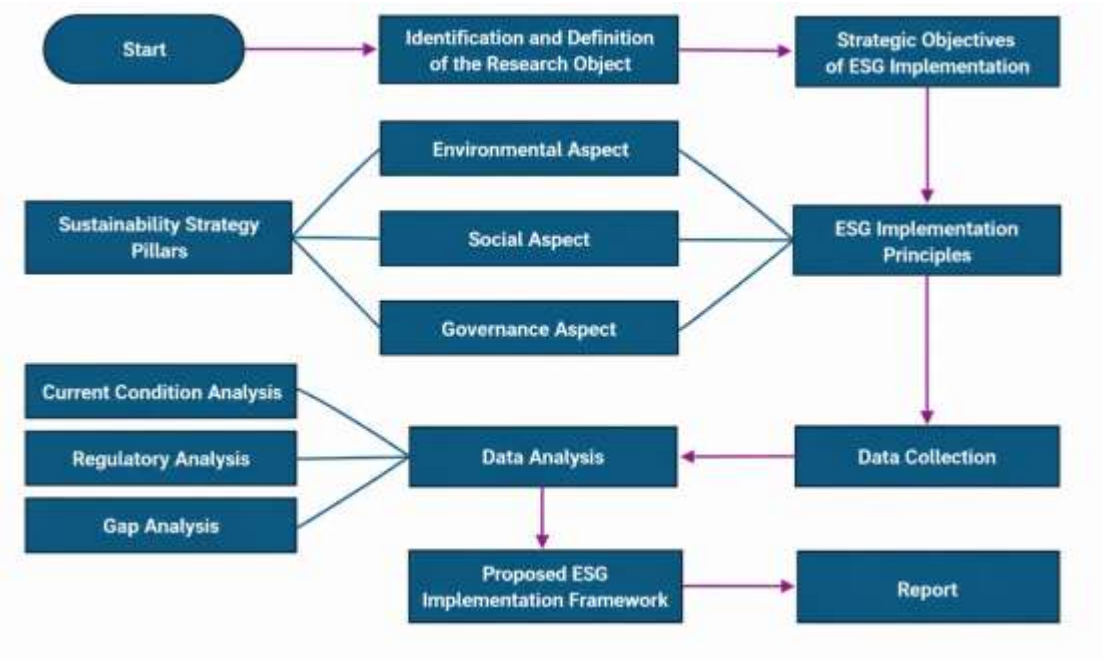


Figure 1: Reseaerch Framework

The focus of this study is to develop a roadmap and appropriate work programs for implementing Environmental, Social, and Governance (ESG) at PT Permodalan Nasional Madani (PNM). This research method outlines the strategic formulation process, the selection of appropriate strategies, and the activities to be implemented in addressing the identified issues, thereby producing an effective and appropriate ESG implementation strategy. Furthermore, this focus narrows the scope of the study to ensure that the proposed roadmap and work programs are practical, relevant, and readily implementable within the organizational context of PNM.

According to Sugiyono (2019), qualitative research is a research method used to investigate phenomena in their natural settings, where the researcher serves as the primary research instrument. Qualitative research relies on understanding the underlying reasons and behavioral aspects of the phenomena being studied. It is characterized by the use of open-ended questions, which may evolve throughout the research process as new insights emerge. In this study, the unit of analysis is PT Permodalan Nasional Madani (PNM), a state-owned financial institution that provides financing services to ultra-micro and micro enterprises. The research was conducted at the company's headquarters, which consists of 28 organizational units (divisions).

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Organizationally, PNM has established a Management Services and Social and Environmental Responsibility (TJSL) function under the Business Director to oversee corporate social and environmental initiatives. The study was carried out at PT Permodalan Nasional Madani Headquarters, located at PNM Tower, Jalan Kuningan Mulia, South Jakarta, from April 2026 to July 2026. This research employed a purposive sampling technique. Purposive sampling involves selecting participants based on the objectives and specific requirements of the study. In qualitative research, sampling does not emphasize the number of participants or statistical representativeness; instead, it prioritizes the quality, credibility, and richness of the information provided by the selected informants (Arikunto, 2020).

DISCUSSION

In this study, a gap analysis was conducted to evaluate the implementation of Environmental, Social, and Governance (ESG) practices at PT Permodalan Nasional Madani (PNM). The gap analysis was performed by comparing the company's existing practices with relevant regulations, international standards, and established academic theories. The analysis focused on examining the company's current financing requirements, which remain predominantly oriented toward financial considerations. It also assessed the PNM Product RIPLAY documents, which primarily emphasize financial and operational risks but have not yet systematically incorporated ESG indicators into the financing process.

Furthermore, the analysis examined the extent to which consumer protection requirements stipulated in Financial Services Authority Regulation (POJK) No. 22 of 2023 have been reflected in the company's financing procedures. Although the regulation emphasizes transparency and fair treatment of consumers, these principles have not yet been fully integrated into ESG-based financing standard operating procedures. The study also evaluated the company's alignment with other relevant regulatory and international frameworks, including POJK No. 51/POJK.03/2017 on Sustainable Finance, the Indonesian Limited Liability Company Law, ISO 26000:2010 on Social Responsibility, and the Global Reporting Initiative (GRI) Standards, which serve as key benchmarks for ESG implementation. In addition to regulatory and institutional frameworks, the analysis was grounded in established theoretical perspectives, particularly Stakeholder Theory Freeman (1984) and the Triple Bottom Line framework (Elkington, 1986). These theories emphasize the importance of balancing economic performance with social responsibility and environmental

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sustainability, thereby providing a conceptual foundation for assessing existing practices and formulating a comprehensive ESG implementation framework for PT Permodalan Nasional Madani.

Based on the interview with President Director of PT Permodalan Nasional Madani (PNM) and serving as the key informant, it can be concluded that the implementation of Environmental, Social, and Governance (ESG) principles has become an integral part of the company's business strategy, although several gaps remain to be addressed. The President Director emphasized that ESG integration into the company's financing policies and standard operating procedures (SOPs) has been initiated through the Mekaar and ULaMM programs, which primarily focus on social empowerment. However, environmental and governance indicators have not yet been fully incorporated into financing requirements or the Product RIPLAY documentation. This indicates that financial considerations continue to dominate the financing process, while sustainability aspects have not been systematically measured or integrated.

Regarding consumer protection, the President Director explained that PNM has established a customer complaint mechanism in accordance with Financial Services Authority Regulation (POJK) No. 22 of 2023. Nevertheless, transparency concerning the social and environmental impacts of the company's financing products has not yet been fully implemented. He emphasized the importance of strengthening ESG-based consumer protection practices to enhance public trust and confidence. From a governance perspective, compliance with regulations such as POJK No. 51/POJK.03/2017 on Sustainable Finance and the Indonesian Limited Liability Company Law has become a commitment of the Board of Directors. However, the company's sustainability reporting remains under development to achieve alignment with internationally recognized frameworks, including the Global Reporting Initiative (GRI) Standards and ISO 26000:2010 on Social Responsibility.

The President Director also highlighted digital transformation as a critical enabler of ESG implementation. The adoption of digital technologies, including financing management applications and electronic reporting systems, has improved transparency, operational efficiency, and organizational accountability while simultaneously reducing paper consumption and expanding access to financing services for underserved communities. Despite these advancements, he acknowledged several challenges, including limited ESG-related data, implementation costs, and internal resistance to organizational change. These challenges, according to the President Director, should

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be addressed through the refinement of ESG risk assessment instruments and benchmarking against internationally recognized standards and best practices.

From a strategic perspective, the President Director emphasized that ESG represents a long-term foundation for strengthening PNM's corporate reputation, competitiveness, and sustainable business performance. This perspective is consistent with Stakeholder Theory (Freeman, 1984), which highlights the importance of addressing the interests of all stakeholders, and the Triple Bottom Line framework (Elkington, 1997), which advocates balancing profit, people, and planet. Overall, the President Director's responses indicate that although ESG implementation has already begun at PNM, a more systematic and comprehensive approach is still required to ensure that ESG principles become a fundamental component of the company's governance structure and operational practices

The 2025 Sustainable Finance Action Plan (Rencana Aksi Keuangan Berkelanjutan/RAKB) of PT Permodalan Nasional Madani (PNM) was developed in accordance with Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This regulation represents a significant milestone in Indonesia's national policy framework, emphasizing the integration of Environmental, Social, and Governance (ESG) principles into the business practices of financial institutions. POJK No. 51/2017 also forms part of the implementation of the Sustainable Finance Roadmap introduced by the Financial Services Authority (OJK) to support the achievement of the Sustainable Development Goals (SDGs) and Indonesia's commitment under the Enhanced Nationally Determined Contribution (ENDC) to reduce greenhouse gas emissions.

Based on the document review, several observations were identified regarding the implementation of PNM's Sustainable Finance Action Plan. Overall, the RAKB has been prepared in accordance with the requirements of POJK No. 51/POJK.03/2017, both in terms of its structure and the principles of sustainable finance. Nevertheless, greater consistency is required between the Sustainable Finance Action Plan and the company's annual Sustainability Report to avoid duplication and inconsistencies in reported information. Furthermore, although the priority programs—such as customer mapping, ESG risk identification, and financial literacy initiatives—are relevant to the objectives of sustainable finance, the associated performance indicators remain relatively general. For example, while the plan specifies that Account Officers should receive a minimum of 24 hours of training annually, it does not include measurable

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indicators demonstrating the impact of such training on financing quality or organizational performance.

The review also indicates that, although PNM has incorporated ESG considerations into its strategic planning, the current implementation remains predominantly focused on the social dimension, particularly through MSME financing, financial literacy programs, and Corporate Social and Environmental Responsibility (TJSL) initiatives. In contrast, the environmental dimension requires further enhancement. Specifically, the current reporting of greenhouse gas emissions, which is limited to Scope 1 and Scope 2 emissions, should be expanded to include Scope 3 emissions across the company's value chain in order to provide a more comprehensive assessment of environmental performance. In addition, while the report clearly demonstrates the company's commitment to sustainability, communication with external stakeholders—including customers, business partners, and the wider community—could be strengthened through the inclusion of quantitative performance data and case studies illustrating successful ESG implementation. Although the report presents an evaluation of the 2024 Sustainable Finance Action Plan, it provides limited explanation regarding follow-up actions to address identified weaknesses. For instance, strategies for mitigating climate-related risks and enhancing the effectiveness of financial literacy programs have not yet been described in sufficient detail.

Based on discussions with the ESG consultant, several strategic recommendations were proposed to strengthen the implementation of PNM's Sustainable Finance Action Plan. The consultant emphasized the importance of establishing more specific and measurable ESG Key Performance Indicators (KPIs), such as the number of customers whose income has increased following financial literacy programs or the percentage reduction in the company's operational greenhouse gas emissions. It was also recommended that the Sustainable Finance Action Plan be fully aligned with the company's annual Sustainability Report, enabling the RAKB to function as a strategic planning document while the Sustainability Report serves as a comprehensive evaluation of implementation outcomes.

Furthermore, the consultant recommended adopting a Climate Risk Stress Test (CRST) to assess the potential impact of climate change on PNM's financing portfolio, thereby enabling more proactive and evidence-based climate risk mitigation strategies. Another recommendation was the development of an integrated digital monitoring system capable of tracking the implementation of RAKB programs in real time through an ESG dashboard accessible to both management and regulatory authorities.

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Strengthening collaboration with government institutions, members of the Ultra Micro Holding, academic institutions, and international partners was also considered essential for expanding the impact of ESG initiatives and enhancing institutional capacity. In addition, the consultant highlighted the need to continue internal ESG training programs, particularly for Account Officers and management personnel, to ensure that ESG principles are not only understood conceptually but are also effectively integrated into operational and strategic decision-making processes. Finally, it was recommended that future Sustainability Reports and Sustainable Finance Action Plans incorporate more comprehensive quantitative data, visual presentations such as graphs and dashboards, and practical case studies to improve stakeholder understanding, increase transparency, and further strengthen PNM's corporate reputation and long-term commitment to sustainable finance.

The development of PT Permodalan Nasional Madani's (PNM) Environmental, Social, and Governance (ESG) Roadmap forms part of the company's medium-term strategic plan, outlining the stages of sustainability implementation from 2025 to 2029. This roadmap serves as a systematic guide for integrating ESG principles into all business processes while ensuring that each stage of organizational development contributes to long-term value creation and sustainable business transformation.

Corporate sustainability is no longer measured solely by economic performance (profit), but also by its social contributions (people) and environmental impact (planet) (Elkington, 1997). Consistent with this perspective, PNM has developed its ESG roadmap as a strategic management instrument designed to achieve a balance between financial performance, social responsibility, and environmental stewardship. The roadmap also supports the implementation of Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 on Sustainable Finance, which requires financial institutions to develop measurable and integrated sustainable finance action plans. The ESG Roadmap for the period 2025–2029 consists of five interconnected phases. The first phase, Strengthening Sustainability Performance (2025), focuses on reinforcing the company's sustainability foundation through the comprehensive implementation of ESG policies. During this stage, PNM enhances the effectiveness of its Sustainability Committee, establishes an inventory system for Scope 1 and Scope 2 greenhouse gas emissions, and integrates ESG and climate-related risks into the company's enterprise risk management framework. In addition, ESG performance assessments are conducted using both national and international indicators, while sustainability databases are developed to support organizational capacity building. This phase reflects the

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environmental scanning stage of strategic management theory (Tedja, 2022), in which organizations identify internal and external factors that influence long-term strategic performance.

The second phase, Empowering Growth through Sustainable Finance (2026), emphasizes sustainable business growth through the expansion of sustainable financing initiatives. The primary objectives include increasing the distribution of socially oriented financial instruments, assessing the impact of ESG risks on the financing portfolio, and transitioning sustainability reporting to comply with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards S1 and S2. Furthermore, PNM begins developing a Scope 3 greenhouse gas emissions accounting system, initially focusing on emissions generated from business travel. This phase represents the formulation of a more measurable, evidence-based sustainability strategy.

The third phase, Accelerating Performance through Sustainable Innovation (2027), focuses on innovation and organizational transformation. During this stage, PNM undertakes research and development of sustainable financial products, conducts benchmarking against internationally recognized organizations with established sustainability best practices, and formulates a decarbonization strategy aimed at achieving Net Zero Emissions. The establishment of a dedicated ESG/Sustainability Division, together with the development of an integrated sustainability performance monitoring system, constitutes a major milestone in accelerating the company's sustainability objectives. This phase corresponds to the strategy implementation stage within the strategic management framework (Hasanuddin, 2026).

The fourth phase, Creating Long-Term Value (2028), is directed toward generating sustainable value through digital transformation and the integration of ESG principles across the entire business value chain. At this stage, the financial implications of climate-related risks and opportunities are measured comprehensively, including their impacts on customers and suppliers. This approach is consistent with the concept of shared value creation proposed by Porter & Kramer (2011), which emphasizes the simultaneous creation of economic value and social benefits

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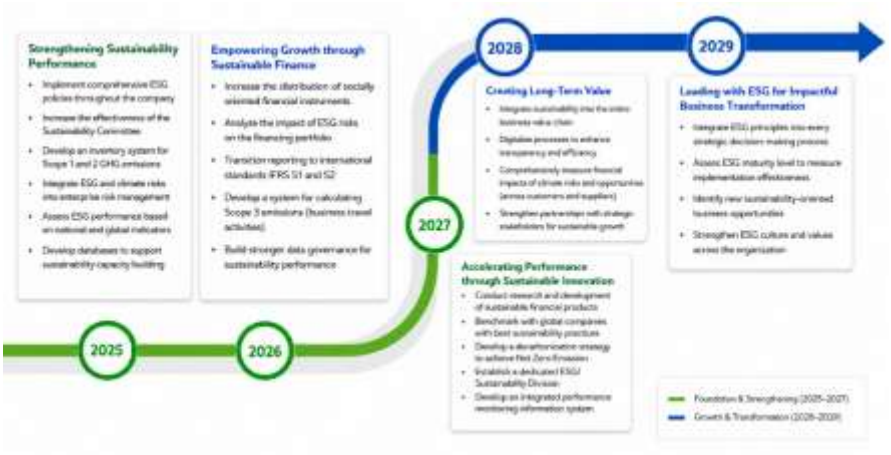


Figure 2. Roadmap ESG

CONCLUSION

This study examined the implementation of Environmental, Social, and Governance (ESG) at PT Permodalan Nasional Madani (PNM) by evaluating its alignment with internal policies, regulations, and international standards. The findings indicate that ESG has been integrated into financing programs such as Mekaar, ULaMM, and PKU, although environmental and governance aspects have not yet been fully incorporated into financing requirements and product documentation. ESG implementation has improved corporate governance through greater transparency, accountability, consumer protection, and digitalization, which has enhanced operational efficiency and expanded financial inclusion. However, challenges remain, particularly regarding the integration of ESG-based consumer protection, the availability of ESG data, and internal resistance to change. Furthermore, benchmarking against national regulations and international standards shows that PNM has made significant progress in adopting ESG principles but still needs to strengthen environmental performance measurement, sustainability reporting, and ESG risk assessment to achieve full alignment with the GRI Standards, ISO 26000, and the Triple Bottom Line framework

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