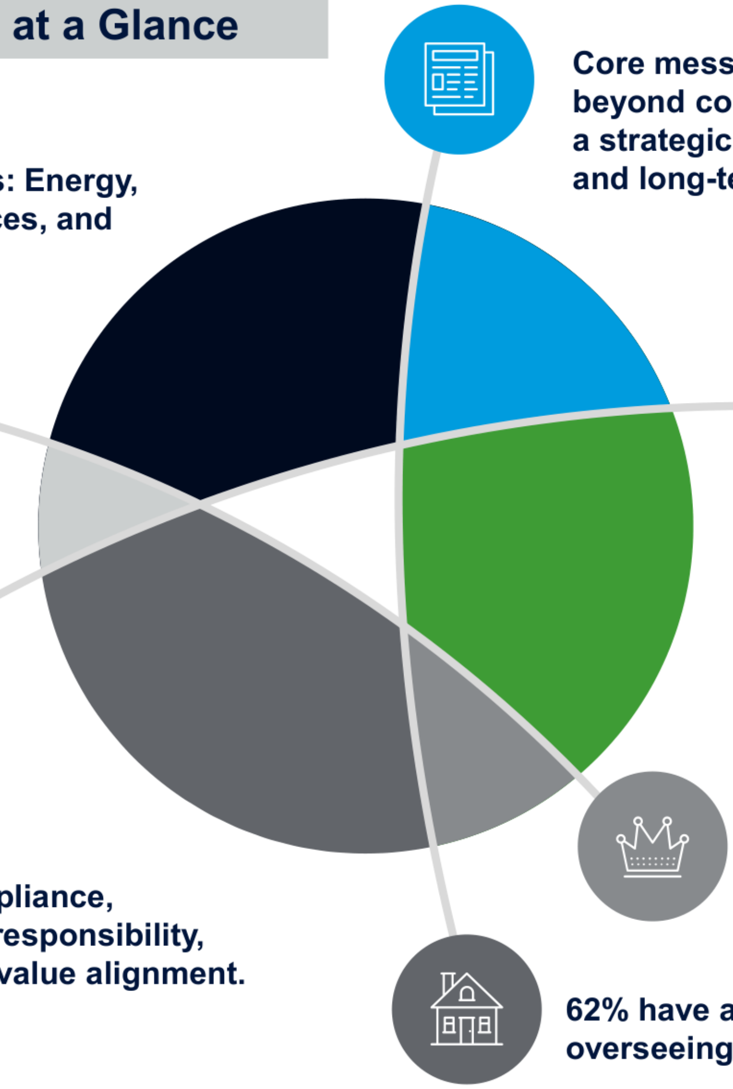
NAVIGATING ESG COMPLIANCE IN INDONESIA

RSM INDONESIA ESG SURVEY 2025

EXECUTIVE SUMMARY
Key Findings at a Glance



Core message: ESG has moved beyond compliance—it is now a strategic driver of trust, innovation, and long-term growth.

Leading sectors: Energy, Financial Services, and Materials.

64% cite regulatory complexity as the top challenge.

72.5% already allocate a dedicated ESG budget; 67% expect it to increase next year.

Top motivators: regulatory compliance, environmental responsibility, and corporate value alignment.

62% have a project manager or team overseeing ESG reporting.

RSM Indonesia ESG Survey, 2025

Navigating ESG Compliance in Indonesia

In recent years, Environmental, Social, and Governance (ESG) considerations have gained significant momentum in Indonesia. This growth has been fueled by stronger investor attention, regulatory developments, and increasing public awareness of sustainability issues. As businesses face rising expectations to act responsibly and transparently, ESG has moved from being a compliance exercise to becoming a strategic driver of value and resilience.

The **RSM Indonesia ESG Survey 2025** explores how organizations are preparing for this evolving landscape—what motivates them, what challenges they face, and how they are aligning operations with sustainability goals. This survey involved nearly 150 professionals representing diverse industries in Indonesia, conducted in mid 2025. Respondents were required to have at least some influence on sustainability or corporate social responsibility decisions within their organizations.

These findings below underscore a defining shift: ESG is no longer viewed solely as a compliance exercise but as a **strategic imperative** for innovation, reputation, and sustainable growth.

- **61%** of organizations have already initiated steps to comply with one or more sustainability regulations.
- **64%** identify regulatory complexity as the top challenge in their ESG journey.
- **72.5%** have established a dedicated ESG or sustainability budget; 67% of these expect the budget to increase in the next fiscal year.
- **62%** have appointed a project manager or team specifically responsible for ESG reporting and integration.
- **Top motivators** include regulatory compliance, environmental responsibility, and alignment with corporate values.
- **Leading sectors** in ESG preparation are Energy, Financial Services, and Materials.

Why This Survey Matters

Indonesia's business environment is undergoing rapid transformation as ESG expectations grow. Regulators are setting clearer sustainability disclosure requirements, investors are demanding greater transparency, and customers increasingly expect responsible business conduct.

This survey provides a comprehensive snapshot of ESG readiness in Indonesia—how companies are responding to emerging sustainability standards, what challenges they encounter, and where opportunities lie to build stronger, future-oriented organizations.

As ESG becomes central to business strategy, this research offers timely insights for boards, regulators, and investors seeking to understand where Indonesian corporations are today—and how they are preparing for the ESG maturity curve ahead.

Methodology

- Survey period: Mid 2025
- Respondents: Nearly 150 professionals across industries
- Eligibility: Respondents must have influence over ESG or CSR-related decisions
- Focus: Regulatory compliance, organizational readiness, investment, and technology adoption.

The study draws insights from organizations of various sizes and sectors, providing a representative picture of ESG integration across the Indonesian economy.

The Regulatory Landscape

Indonesia's ESG regulations have expanded significantly over the past decade, guided by global frameworks and local priorities.

The following were among the regulations referenced in this survey:

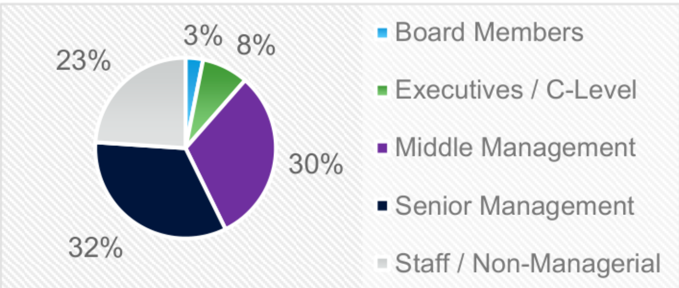
- OJK Regulation No. 51/POJK.03/2017 – Sustainability Reporting for Financial Institutions, Issuers, and Public Companies.
- Government Regulation No. 47/2012 – Corporate Social and Environmental Responsibility.
- Law No.32/2009 – Environmental Protection and Management.
- OJK Regulation No. 14/2023 – Carbon Trading & Sustainable Finance.
- OJK Regulation No. 57/POJK.03/2017 – Corporate Governance for Issuers and Public Companies.

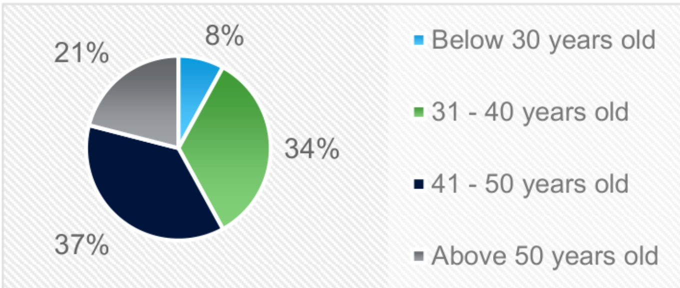
These frameworks form the foundation of Indonesia's sustainability landscape, establishing the baseline for compliance and continuous improvement. They also align with emerging global standards such as the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2), which are expected to influence future alignment of Indonesia's reporting framework.

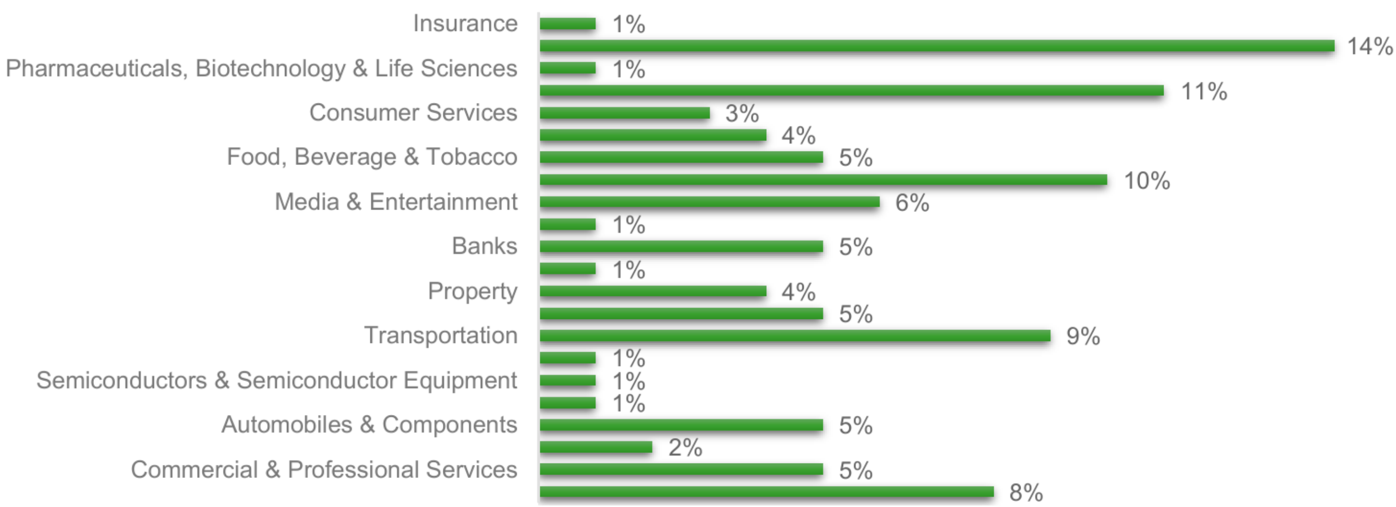
These developments indicate a broader shift toward integration and harmonization. Over the next few years, Indonesia's disclosure regime is likely to evolve into an interconnected model aligned with the ASEAN Taxonomy and ISSB frameworks, reinforcing both transparency and comparability for international stakeholders.

Respondent Profile – Who Participated

Respondents represented a diverse mix of industries and corporate levels. The majority held mid- to senior-level management roles with strategic involvement in ESG decision-making. Energy, financial services, and materials sectors were among the most represented industries, reflecting areas under increasing regulatory and investor scrutiny.







Motivating Factors for Embracing ESG

When asked what factors motivated their organizations to adopt sustainability practices, respondents highlighted several priorities:

- Regulatory compliance (54%) – ensuring adherence to national and sectoral ESG-related regulations.
- Reducing environmental impact (46%) – improving efficiency and resource management.
- Corporate commitment to sustainability (44%) – aligning with organizational values and culture.
- Communicating brand values (37%) – enhancing reputation and public trust.
- Supporting community and innovation (30%) – integrating ESG principles into products, services, and local engagement.

While compliance remains the top driver, many organizations are broadening their ESG efforts to reinforce brand trust, support innovation, and strengthen community impact. Momentum is shifting from regulatory compliance toward embedding ESG principles into core business models and innovation pipelines.

"Compliance is just the starting point. Real assurance, which gives stakeholders confidence in ESG performance, comes from people, policies, and technology working together — with training and sustainability commitment as the foundation for lasting trust."

Gede Adhi Wijana,
GRC Consulting Partner, RSM Indonesia

ESG Readiness Across Key Industries

These industries demonstrate that ESG implementation is both a regulatory and strategic endeavor, requiring investment in human capital and technological infrastructure.

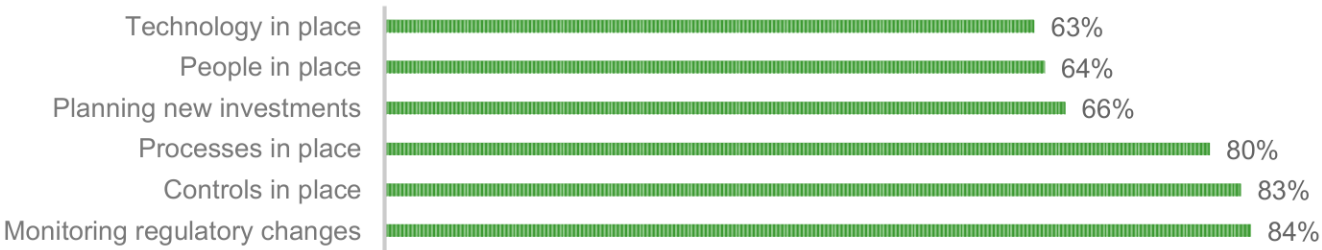
The Energy, Financial Services, and Materials sectors lead ESG adoption, though each with different focus areas:

- **Energy**: 80% have initiated ESG compliance steps, primarily motivated by environmental responsibility (18%) and alignment with sustainability commitments (18%).
- **Materials**: 79% report readiness, with strong emphasis on regulatory compliance (13%) and environmental impact (14%).
- **Financial Services**: 60% report preparedness, focusing on staff education and governance alignment (8–10%).

Across all three sectors, **regulatory complexity remains the foremost challenge**, followed by training and technology integration. This alignment across industries indicates that ESG integration is no longer limited to regulated sectors—it is becoming a shared business priority across the economy.

Each sector shows unique dynamics: the energy industry is leveraging the transition to cleaner production, materials companies are advancing environmental metrics but lagging in social disclosure, and financial institutions are becoming key enablers of sustainable financing ecosystems.

MEASURES TAKEN TO COMPLY WITH EMERGING ESG REQUIREMENTS



Key Challenges in ESG Readiness

The survey reveals that understanding and keeping up with regulatory requirements remains the most significant obstacle, cited by 64% of respondents. Other key challenges include:

- Limited awareness and training among staff (48%).
- The need to update organizational policies (41%).
- Limited access to specialized consultants (31%).

Organizations are addressing these issues through internal training, policy refinement, and selective use of external advisors. Leadership commitment is also emerging as a crucial success factor—46% of organizations reported having a senior executive dedicated to defining and achieving their sustainability vision.

Budget and Bottom Lines

72.5% of organizations have a dedicated ESG or sustainability budget. Among those, 67% anticipate an increase next year — driven by:

- Meeting regulatory requirements (30%)
- Supporting business growth (38%)
- Managing inflation or cost pressures (12%)
- Advancing strategic sustainability initiatives (40%)

Dedicated budgets clearly signal that ESG has become integral to organizational strategy, not a peripheral obligation.

Respondents cited the **energy transition, sustainability certification**, and **ongoing employee training** as key areas requiring new investment. These findings show that companies are aligning capital allocation with both compliance and strategic ESG objectives. This financial commitment also reinforces the link between ESG priorities and digital investment strategies, as many respondents tie sustainability budgets to systems upgrades and reporting tools.

With most organizations expecting budget increases, 2026 may mark the first cycle in which ESG expenditure becomes a fixed and recurring strategic line item in corporate planning—an indicator of maturity and long-term commitment.

"Enhancing the quality of sustainability reporting requires more than technology—it demands strong data governance, capable people, and adaptable processes that evolve with regulation."

Kemal Alfadin,
Technology Consulting Partner, RSM Indonesia

Technology: The Enabler of ESG Compliance

Technology plays an increasingly critical role in managing sustainability data and ensuring credible disclosures. Respondents reported using data analytics platforms (30%), supply chain management systems (25%), and **artificial intelligence or machine learning tools (13%)** to support sustainability tracking and reporting.

Beyond technology adoption, 62% of organizations have appointed dedicated project managers or teams to oversee sustainability reporting. For these tools to deliver full value, businesses must also strengthen data governance through well-defined **controls (53%), processes (53%), technology frameworks (52%),** and **skilled personnel** (54%).

Examples of digital transformation include carbon-accounting modules integrated into ERP systems and supplier due-diligence dashboards that help organizations monitor emissions, human rights compliance, and material traceability across value chains.

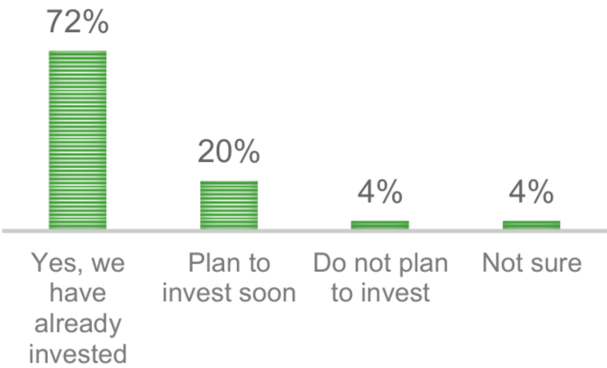
As regulations evolve, organizations that combine technology with sound governance and capable people will be best positioned to deliver transparent, consistent, and reliable ESG reporting.

Sustainability Reporting

As ESG regulations become increasingly comprehensive across jurisdictions, robust and transparent sustainability reporting has become essential for organizations to demonstrate accountability. Regulatory bodies worldwide—and within Indonesia—are setting clearer standards for environmental, social, and governance (ESG) disclosures. Effective reporting not only fulfills regulatory obligations but also strengthens stakeholder trust and positions companies competitively in a sustainability-driven market.

When asked about their organization's sustainability initiatives, 72% of respondents said they have already invested in clean energy projects, 20% plan to invest soon, while only 4% have no plans and another 4% remain uncertain. This strong inclination toward renewable energy reflects a growing commitment to environmental responsibility among Indonesian businesses.

CLEAN ENERGY INVESTMENT TRENDS AMONG INDONESIAN COMPANIES



However, 28% of executives identified integrating new operations or technologies with existing systems as significant challenge - complexity of modernization and the need for strong governance frameworks to maintain business continuity. Addressing these integration issues is crucial for improving efficiency and ensuring seamless reporting processes as organizations evolve.

Furthermore, 89% of respondents indicated that current ESG regulations already apply to their organization, highlighting the importance of aligning operational and technological readiness with compliance expectations. As regulations expand, effective integration strategies and consistent data governance will become even more vital.

Many organizations are turning to **third-party advisors** to conduct **applicability assessments**—a step that helps identify which regulations apply, relevant deadlines, and readiness gaps. In this context, a **broader ESG assessment** can deliver deeper insights, enabling a more strategic and forward-looking approach to managing environmental, social, and governance risks.

A comprehensive ESG assessment provides clarity, helping organizations understand regulatory obligations while identifying pathways to strategic advantage.

More than half of respondents believe that Indonesia's ESG regulations are **aligned with and supportive of their sustainability goals**, suggesting a shift in perception: ESG is no longer seen purely as a compliance requirement but as an **enabler of long-term sustainable growth**.

For many organizations, this marks the transition from measuring activity to measuring impact—a critical evolution in ESG maturity.

Finally, when asked about ESG priorities for the next 12–24 months, 64% of respondents said the environmental, social, and governance pillars are equally important, reflecting a holistic and integrated approach to sustainability.

Closing Reflections

The findings of this year's survey affirm that ESG has become far more than a regulatory expectation — it is now a defining factor in business transformation across Indonesia. Organizations are progressively linking sustainability with corporate purpose, operational performance, and long-term competitiveness.

While regulatory complexity remains a challenge, most companies are taking proactive steps to build internal capability, strengthen governance, and invest in technologies that enhance transparency and reporting integrity. This reflects an encouraging shift from reactive compliance to strategic integration—where ESG becomes embedded in how businesses innovate, manage risk, and create value.

"ESG is no longer a compliance exercise —
it's a strategic imperative for long-term value creation.
Through investments in technology, people, and governance,
companies can transform regulatory challenges into opportunities
for resilience and responsible growth."

Angela Simatupang,
Managing Partner, Governance Risk Control & Technology Consulting,
RSM Indonesia

As Indonesia continues to advance its sustainability agenda—through carbon trading mechanisms, disclosure reforms, and stronger enforcement—companies that align early will gain not only compliance readiness but reputational leadership. The next stage of ESG maturity will require organizations to measure outcomes, not just efforts: quantifying emission reductions, social impact, and governance effectiveness to earn the trust of investors, regulators, and communities alike.

At the same time, collaboration across sectors will be vital. Banks, manufacturers, and service companies must work together to accelerate the energy transition, strengthen supply chain transparency, and foster data consistency that allows meaningful assurance.

With its dynamic private sector and reform-minded regulators, Indonesia is well-positioned to emerge as a regional model for credible and high-impact ESG implementation. By integrating compliance with purpose, Indonesian businesses can lead the region in demonstrating that sustainability is not a cost of doing business—it is how future-ready organizations will grow, compete, and earn enduring trust.

For further information please contact:

RSM Indonesia
Plaza ASIA Level 10
Jl. Jend. Sudirman Kav.59
Jakarta 12190
T: +62 21 5140 1340
E: inquiry@rsm.id
rsm.id