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## Disclosure of Environment, Social, and Governance (ESG) implementation at PT Sinergi Gula Nusantara

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### Abstract

The research conducted aims to reveal the implementation of the Environment, Social, and Governance (ESG) principles at PT Sinergi Gula Nusantara (SGN) in supporting business sustainability. The research method used is a qualitative approach with a literature study, which examines various secondary sources such as financial reports, articles, and journals. The results of the study show that SGN has implemented ESG comprehensively, including energy efficiency, biomass utilization, water and waste management, and emission reduction for environmental aspects; implementation of CSR programs, non-discrimination principles, employee training, and community welfare for social aspects; and the application of the principles of transparency, accountability, and good governance in governance aspects. SGN also received the ASRRAT 2024 award with a Bronze rating, which indicates the effectiveness of ESG implementation. These findings confirm that transparent ESG disclosure and implementation not only strengthen the company's sustainability but also increase competitiveness and contribution to national sustainable development.

**Keywords:** ESG, Sustainability, PT Sinergi Gula Nusantara

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### INTRODUCTION

In the challenging era of globalization, the business world is no longer only assessed by financial performance, but also by its impact on the environment, society, and corporate governance. Companies now realize the importance of paying attention to environmental, social, and corporate governance aspects in their operations. With ESG as an important framework for evaluating corporate performance not only in terms of finance, but also from the perspective of sustainability and social responsibility. ESG also does not focus only on achieving profits, but ensures the company's responsibility to the environment, society, and the implementation of good and appropriate governance. The application of ESG principles is considered a crucial step to support the transition to a more sustainable business.

In recent times, the issue of sustainability has increasingly become a focus and is widely discussed at the global level. This is driven by concerns about the scarcity of natural resources and environmental damage that has the potential to have a wide impact, including on the financial performance of companies and the

sustainability of their businesses. Increasing global awareness of the importance of environmental preservation in order to achieve sustainable economic development encourages companies to not only pursue profits but also pay attention to social and environmental responsibilities. Hanggraeni (2021) states that disclosure of environmental, social, and governance (ESG) aspects is one of the strategic steps that companies can take to support sustainability and environmental preservation issues.

PT Sinergi Gula Nusantara (SGN), which is part of the BUMN food cluster and a strategic entity in the national sugar industry sector, plays an important role in implementing sustainable business principles. PT Sinergi Gula Nusantara shows its real commitment to ESG principles. The implementation of ESG in Sinergi Gula Nusantara is relevant to study considering its role in supporting the company's efforts to integrate sustainability into its business strategy. Transparent ESG disclosure reflects the company's accountability to stakeholders and can be a benchmark in assessing PT Sinergi Gula Nusantara's contribution to sustainable development. It is important to examine the extent to which PT Sinergi Gula Nusantara implements ESG aspects in its operational activities.

## **METHOD**

This study uses a qualitative approach to gain a deep understanding of the implementation of ESG at PT Sinergi Gula Nusantara, by relying on the library research method as a data collection technique. Library research is a method of collecting data or information carried out through a review of various theories and reference sources that are relevant to the research topic (Ultavia B et al., 2023). The data to be used in this study were obtained from journals, articles, internet sites and the financial report of PT Sinergi Gula Nusantara 2023 used to gain a deep understanding of the research concept to be carried out.

The data acquisition that will be conducted in this study uses secondary data. Secondary data is obtained through library research such as from books, journals, encyclopedias, and other sources related to this study. This analysis aims to determine the implementation of ESG at PT Sinergi Gula Nusantara in supporting business sustainability. Through this approach, it is hoped that the study will be able to present a comprehensive understanding of the implementation of ESG at PT Sinergi Gula Nusantara in its efforts to support business sustainability.

## **RESULTS AND DISCUSSION**

In the era of globalization, the implementation of the Environment, Social, and Governance (ESG) principles has become an important indicator for the sustainability and competitiveness of companies. PT Sinergi Gula Nusantara, as part of Holding Perkebunan Nusantara and a major company in the national sugar industry, also supports the implementation of Environment, Social, and Governance (ESG) as part of a sustainable business strategy that supports business growth.

## **Environment**

PT Sinergi Gula Nusantara is committed to optimizing the operations of sugar factories under the company's control. The company optimizes factory operations with an environmentally friendly approach through the management of energy, emissions, clean water, wastewater, and solid waste, based on the 3R principle (Reduce, Reuse, and Recycle). The implementation of the Reduce principle has succeeded in reducing the use of diesel from 563 kiloliters (equivalent to 22,631 Gigajoules) in 2022 to 367 kiloliters (14,753 Gigajoules) in 2023. This reduction automatically has an impact on reducing greenhouse gas emissions [scope 1] from 1,502,877 kgCO<sub>2</sub>eq to 979,009 kgCO<sub>2</sub>eq in the same period.

As part of the solid waste reduction efforts, the Company maximizes the use of biomass from bagasse as an environmentally friendly renewable energy source. Among the sugar factories managed by SGN, there is one factory where almost all of the energy needs for the power plant and boiler are met by biomass. In 2023, the total electricity generated from biomass reached 334,259,488 kWh, showing a significant increase compared to 61,085,590 kWh in 2022. By utilizing bagasse as fuel, the company has not only succeeded in reducing solid waste, but also contributed to reducing the negative impact on the environment.

PT Sinergi Gula demonstrates compliance with environmental regulations through its participation in the Corporate Performance Rating Program in Environmental Management (PROPER). A total of 30 sugar factories under the company's auspices participated in the PROPER assessment for the period July 2022 to June 2023. As a result, 27 factories received a BLUE rating, two factories received a RED rating, and one factory is in suspended status. In addition, four factories—namely PG Kwala Madu, PG Sragi, PG Rendeng, and PG Mojo—have been designated as Green Candidates for the 2022–2023 PROPER period.

### **a. Energy GRI 302**

PT Sinergi Gula Nusantara in the process of running its business uses two types of energy, namely electricity and fuel oil. Energy is used by the Company as a production power plant and boiler to produce hot steam to drive it. Most of the Company's electrical energy comes from the use of bagasse biomass as an environmentally friendly renewable energy source, and some is supplied by PLN. In fact, at PT Sinergi Gula Nusantara, the use of energy from biomass sources almost completely meets the energy needs for the power plant and boiler. Therefore, the electricity supply from PLN and generators is only used for factory lighting, office needs (including lighting and equipment), and a little to support the production process during start-up. The company also implements energy efficiency through various policies, such as the use of energy-saving lamps, ensuring that unused electronic equipment is turned off, and turning off lights after working hours. In addition, the company also saves fuel oil by optimizing online meetings as a substitute for face-to-face meetings. Thanks to the

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implementation and these policies, the company has managed to save energy costs of IDR 125 billion compared to 2022.

**b. Water and Waste GRI 303**

PT Sinergi Gula Nusantara is committed to managing water use optimally to avoid negative impacts on the environment and communities around the operational location. As a form of environmental responsibility, the Company implements a policy not to utilize deep well groundwater because excessive use can reduce the quantity and quality of groundwater, which can ultimately disrupt environmental balance. As a solution, the company uses water sources from below the surface and surface water. In addition, PT Sinergi Gula Nusantara also does not use water with a total dissolved solids (TDS) content of more than 1,000 mg/l. To support water conservation, the company also educates employees, one of which is by installing water-saving warning boards in the tap area.

During the production process of sugar and molasses from sugar cane, the company produces wastewater (effluent) from the use of clean water, as well as various other types of waste. Both liquid and solid, B3 and non-B3. If this is not managed properly and correctly, wastewater or waste is one of the sources of pollution and environmental damage. Real steps taken by PT Sinergi Gula Nusantara in wastewater management, before being discharged into water bodies such as water channels or rivers, the wastewater is first treated at the Wastewater Treatment Plant. In this installation, wastewater management is carried out using the activated sludge method, which utilizes microorganisms to decompose pollutants in sugar factory wastewater, while maintaining the balance of the natural ecosystem around the factory.

**c. Emissions GRI 305**

Greenhouse gas (GHG) emissions are one of the main causes of global warming and climate change, the impact of which is increasingly evident on the earth and life on it. Realizing this, PT Sinergi Gula Nusantara is committed to managing emissions responsibly to help slow the rate of climate change. One of the concrete steps taken is to make energy use more efficient to reduce the emissions produced. In this sustainability report, the GHG emissions disclosed include direct emissions (Scope 1) originating from the use of diesel, indirect emissions (Scope 2) from electricity consumption provided by PLN, and other indirect emissions (Scope 3) arising from business travel by airplane. Of the three scopes, carbon dioxide (CO<sub>2</sub>) is the most dominant type of emission. In addition, PT Sinergi Gula Nusantara also supports government policies in limiting the use of materials containing ozone-depleting substances (Ozone Depleting Potential/ODP) or Ozone Depleting

Substances (ODS), as well as controlling other air emissions in order to maintain environmental sustainability.

d. Waste GRI 306

In addition to wastewater, PT Sinergi Gula Nusantara also produces solid waste from the sugarcane milling process, namely bagasse. This waste is classified as non-B3 (not hazardous and toxic waste) and is entirely used as biomass fuel for boilers. In addition, there is other solid waste in the form of filter cake from the refining process. This filter cake is used as fertilizer on the company's sugarcane land, by adding a mixture of ash from the boiler. Because it contains carbon elements, filter cake is also used as an alternative material in making organic fertilizer through the composting process. nitrogen, phosphate, potassium and other minerals. because in the management of B3 waste has its own risks and dangers, PT Sinergi Gula Nusantara collaborates with third parties certified by the Ministry of Environment and Forestry. In order to avoid the risk of environmental pollution, the sugar factory under SGN has a B3 TPS facility which is used as a temporary storage place for B3 waste before being taken by a third party.

## **Social**

Corporate social performance reflects various activities carried out by PT Sinergi Gula Nusantara in order to carry out its social obligations to all stakeholders, both internal and external, as well as the impacts arising from these activities. Internal stakeholders consist of shareholders, management, and employees from various divisions and levels of office. While external stakeholders include customers, suppliers, government agencies, and communities around the company's operational area, including beneficiaries of the Social and Environmental Responsibility (TJSR) or Corporate Social Responsibility (CSR) Program.

a. Nondiscrimination GRI 406

PT Sinergi Gula Nusantara applies the principle of equality and non-discrimination for all employees, starting from the recruitment process, competency and career development, to the provision of wages and benefits. In line with this principle, the company also ensures that every employee is given equal opportunities to work and occupy positions or positions, including at the top management level based on their abilities and competencies.

b. Child Labor and Forced Labor GRI 408-409

PT Sinergi Gula Nusantara supports the elimination of child labor and forced labor because both are practices that violate human rights. To support the elimination of child labor, PT Sinergi Gula Nusantara has a firm policy regarding the minimum age of workers.

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In accordance with Law No. 35 of 2014, the minimum age for employees in this company is 18 years.

In certain work units and employee levels, PT Sinergi Gula Nusantara implements a rotating work system (shift work) regulated based on job conditions. With this arrangement, if there are excess working hours, the time will be counted as overtime and the compensation has been determined and does not harm employees. Not only that, the Company also provides its employees with the opportunity to rest at certain hours. This is in accordance with Article 77 of Law No. 13 of 2003 concerning employment which agrees that working hours are 8 (eight) hours 1 (one) day and 40 (forty) hours 1 (one) week for 5 (five) working days in 1 (one) week.

c. Freedom of Association and Collective Bargaining GRI 407

PT Sinergi Gula Nusantara provides full freedom to employees to form unions, which is realized through the establishment of the Nusantara Plantation Workers Union PT SGN. This union was officially declared in Surabaya on Saturday, June 24, 2023. The declaration included a statement representing employees who had transferred to PT SGN, and was also signed by all SPBUN Chairmen from PTPN who work in the sugar commodity sector. After the declaration took place, the company management together with representatives of the Workers Union continued the process by holding negotiations to draft a Collective Labor Agreement.

d. Employee Education and Training GRI 404

PT Sinergi Gula Nusantara is committed to developing the quality and competence of employees by providing education and training programs tailored to the needs of PT Sinergi Gula Nusantara. In 2023, the company held 178 training activities with a total duration of 113,709 study hours. This means that almost all employees participated in training with an average of 23.59 hours per person for a year. The total cost incurred for education and training in 2023 reached IDR4,815,076,698.

e. Diversity and Equal Opportunity GRI 405

PT Sinergi Gula Nusantara provides basic salary and remuneration based on the experience, competence, and performance of each employee, without distinguishing gender. Therefore, both male and female employees have the right to receive equal treatment in the wage payment system. If there is a difference in the amount of wage payment, it is due to several factors such as the achievement of performance or individual achievements of each employee.

f. Occupational Health and Safety GRI 403

PT Sinergi Gula Nusantara provides various services to ensure the creation of safety and comfort in the work environment, including in emergency conditions. The services provided include

smoke detectors, various types of fire extinguishers, hydrants, first aid kits, places of worship, parking spaces, and 24-hour security systems. In addition, the company also actively conducts socialization regarding Occupational Health and Safety (K3) as part of a shared responsibility.

g. Local Community GRI 413

PT Sinergi Gula Nusantara implements the Social and Environmental Responsibility (TJSL) or Corporate Social Responsibility (CSR) program, which is an important part of the implementation of good corporate governance. This program also contributes to the achievement of sustainable development goals, which integrate economic, environmental, and social aspects. The implementation of the TJSL/CSR program is in line with PT Sinergi Gula Nusantara's support for the 17 Sustainable Development Goals or Sustainable Development Goals (SDGs), which are being implemented by the Indonesian government. The total funds allocated for various TJSL programs this year reached IDR 2,089,979,265.

as follows:

1. Social activities to provide assistance to the community around the sugar factory and orphans.
2. Support for the construction of places of worship.
3. Support for the New Islamic Boarding School Football School.
4. Support for children with special needs in Sidoarjo Regency.

h. Marketing and Labeling GRI 417

To fulfill consumer rights, especially the right to correct, clear, and honest information about the condition and guarantee of goods and/or services produced, PT Sinergi Gula Nusantara ensures that marketing communications are conducted fairly. The company is committed to complying with all applicable rules and standards, as well as following ethics and guidelines in advertising, promotions, and sponsorship activities.

## Governance

Good Corporate Governance (GCG) is the foundation for PT Sinergi Gula Nusantara in running its business operations. Through the implementation of good GCG comprehensively in every aspect, the company can ensure that its operations are on the right track, as well as minimize the risk of errors in managerial management. The implementation of GCG will create a company that is more optimal in carrying out its operations, and makes it easier to assess the achievement of management performance. The implementation of GCG will provide certainty and assurance to shareholders that their investments are managed professionally and safely. PT Sinergi Gula Nusantara implements good governance by implementing the principles of transparency, accountability, responsibility, independence, and fairness, as stipulated in the Regulation of the Minister of State-

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Owned Enterprises Number: PER-2/MBU/03/2023 concerning Guidelines for Governance and Significant Corporate Activities of State-Owned Enterprises.

a. Accountability

PT Sinergi Gula Nusantara has a solid internal control system to reduce the risk of fraud, ensure compliance with regulations, and maintain operational integrity. In addition, the company implements an integrated performance evaluation system to improve employee motivation and job satisfaction. This shows that the company has implemented good accountability.

PT Sinergi Gula Nusantara is responsible for implementing ESG through various appropriate steps and transparent reporting. PT Sinergi Gula Nusantara's management is committed to running the business according to applicable ESG standards, and reporting activities and performance periodically in sustainability reports that contain accurate economic, social, and environmental data.

b. Transparency

PT Sinergi Gula Nusantara (SGN) applies the principle of transparency by compiling and publishing sustainability reports and annual reports containing complete information on economic, social, and environmental performance in a clear, timely, and accurate manner. The information provided includes sales data, profits, strategic policies, and operational achievements that can be accessed by internal and external stakeholders. This proves that PT Sinergi Gula Nusantara applies the principle of Transparency.

## **CONCLUSION**

PT Sinergi Gula Nusantara (SGN) has demonstrated a real commitment to implementing the principles of Environment, Social, and Governance (ESG) as part of its sustainable business strategy. PT Sinergi Gula Nusantara also demonstrated that the company is implementing ESG well because PT Sinergi Gula Nusantara received the ASRRAT (Asia Sustainability Reporting Rating) 2024 award with a Bronze rating. Through responsible environmental management, such as energy efficiency, biomass utilization, waste management, and emission reduction efforts, SGN has succeeded in minimizing the negative impact of operations on the environment. From a social perspective, SGN actively carries out social responsibility for internal and external stakeholders, including employees and the surrounding community, with various empowerment and welfare programs. In terms of governance, the company applies the principles of transparency, accountability, and compliance with regulations to ensure good corporate governance.

The implementation of ESG at SGN not only supports the sustainability of the company's business, but also provides a positive contribution to sustainable development in the national sugar industry sector. Transparent ESG disclosure is a form of corporate accountability to stakeholders and can be a reference in assessing SGN's contribution to sustainability issues. Thus, the implementation of ESG at PT

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Sinergi Gula Nusantara has proven effective in supporting business sustainability, increasing the company's competitiveness, and providing a positive impact on the environment, society, and corporate governance.

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