

*Research Article*

## Strategic ESG Legitimacy Model: Integrating SWOT Analysis and GRI Indicators to Assess Corporate Sustainability Performance

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### Abstract

As one of the largest coal mining companies in Indonesia, PT ABC Tbk faces demands not only to maintain business performance but also to ensure sustainability practices align with international standards. Its 2024 sustainability report serves as the basis for evaluating the company's ability to manage environmental, social, and governance (ESG) issues. Using qualitative methods based on case studies and a literature review, the analysis employed a SWOT framework informed by material topics from the Global Reporting Initiative (GRI). The study results indicate that the company's sustainability performance remains average, reflected in scores of 2.16 for internal factors and 2.24 for external factors. These findings highlight weaknesses that need to be addressed and also provide opportunities for the company to strengthen its sustainability strategy, optimize existing potential, and anticipate future threats.

Keywords: Sustainability Performance, SWOT Analysis, GRI, ESG Legitimacy Model

JEL Classification: Q56, M14, L21

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### 1. Introduction

Sustainability performance is a form of corporate accountability to stakeholders, achieved through reporting on Environmental, Social, and Governance (ESG) aspects in sustainability and annual reports (Jihan Fairus & Murwaningsari, 2023). Internationally, the Global Reporting Initiative (GRI) serves as the primary standard for assessing how companies identify, manage, and disclose their sustainability impacts, thereby contributing to the achievement of the Sustainable Development Goals (Widiasalwa et al., 2024; GRI, n.d.). Sustainability reporting is not merely a matter of regulatory compliance, but also a corporate communication strategy to maintain public trust and strengthen the legitimacy of its business environment.

In Indonesia, the obligation to submit sustainability reports for public companies is regulated through POJK 51/2017 and SEOJK 16/2021, which emphasize the application of sustainable finance principles in corporate reporting and governance (SEOJK, 2021; Oka & Hermawan, 2025). However, there is a disclosure-implementation gap: sustainability focuses heavily on disclosure narratives but is not fully reflected in strategic operational practices. Furthermore, governance dimensions such as tax governance, transparency of economic contributions, and cross-jurisdictional compliance remain under-recognized in ESG research, even though these aspects help determine a company's social license to operate (Saputra et al., 2024).

PT ABC Tbk, as a coal mining company, is committed to implementing the principles of Good Mining Practices and to maintaining long-term sustainability by optimizing shareholder value, improving occupational safety standards, and being socially responsible towards the community and the environment. The mining sector itself is under intense pressure due to the global energy transition agenda. It demands reductions in carbon emissions, making the improvement of sustainability performance a strategic necessity for corporate competitiveness.

While previous studies have examined the relationship between ESG and financial performance or company value, there is limited research assessing a company's strategic sustainability position through a SWOT-based evaluation that references GRI indicators and the national regulatory context. Therefore, this study aims to assess PT ABC Tbk's strategic sustainability position through a SWOT analysis of its 2024 Sustainability Report, identifying strengths, weaknesses, opportunities, and threats in implementing its sustainability strategy.

This study seeks to make a theoretical contribution by integrating tax governance into corporate sustainability assessments and enriching the literature on extractive-sector sustainability reporting through a descriptive and strategic approach. Therefore, the results of this study are expected to serve as a reference for mining companies to strengthen disclosure quality and the effectiveness of sustainability implementation as a sustainable competitive advantage.

## 2. Literature Review and Hypothesis

### Legitimacy Theory

Legitimacy theory holds that companies have a social contract with society, which shapes public expectations regarding their operations. If a company fails to meet these expectations, public trust declines, impacting its reputation and profitability. Conversely, a company's social contributions can increase public recognition and support for the company's existence (Saputra et al., 2024). Contemporary research shows that legitimacy theory explains reporting behavior not only as a defensive or reactive action but also as a proactive strategy in building long-term trust and sustainable economic value (Ogunode, 2022).

In the case study of PT ABC Tbk, sustainability reporting serves as a two-way communication mechanism to maintain legitimacy in the eyes of the public, government, investors, and other stakeholders, particularly amid global pressure for the energy transition and carbon emissions reduction. When sustainability reports do not reflect actual conditions or are merely symbolic (symbolic legitimacy), companies risk facing accusations of greenwashing or social washing (Lodhia & Stone, 2023).

Therefore, credible ESG reporting must be accompanied by measurable metrics and independent audits to ensure that the legitimacy built is not merely rhetorical but substantive. In this research, legitimacy theory serves as the analytical basis for assessing how PT ABC Tbk aligns reported sustainability practices with its operational reality through a GRI-based SWOT analysis. This theory explains the relationship between a company's sustainability communication strategy and perceived social legitimacy, which supports the organization's long-term sustainability.

### Stakeholder Theory

Stakeholder theory states that companies operate not only for their own interests but also to benefit all stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts, and others). The theory explains the importance of transparency in information, including disclosure

of social and environmental performance, so that stakeholders can support the company's sustainability. Therefore, a harmonious relationship with stakeholders is crucial to maintaining business continuity (Saputra et al., 2024). In the ESG context, this theory provides a conceptual framework for companies to understand sustainability reporting as a stakeholder-oriented communication process (Kotsantonis & Pinney, 2023).

Sustainability reports serve not only to disclose performance information but also to foster dialogue and accountability between companies and stakeholders with varying interests in environmental, social, and governance issues. Stakeholder theory means ensuring that business practices and ESG reporting are not only compliance-oriented but also reflect concern for the well-being of local communities, worker safety, and the ecological impacts of its operations. PT ABC Tbk needs to manage the expectations of influential groups, such as regulators, investors, and communities surrounding its mines, through transparent, responsive policies. Recent research also highlights that the greater the level of stakeholder involvement in the formulation of ESG strategies, the higher the level of public trust and reputation value a company gains (Aguinis & Glavas, 2024).

Therefore, stakeholder theory in this study is used to understand how PT ABC Tbk's sustainability reporting functions as a means of dialogue, accountability, and strategic collaboration to strengthen social legitimacy and long-term sustainability values.

This study does not develop hypotheses because the primary objective is to assess strategy through a SWOT analysis, not to test causal relationships between variables. Therefore, several basic assumptions are explicitly stated to avoid ambiguity in interpreting the findings. First, the assumption is that the indicators in PT ABC Tbk's 2024 Sustainability Report accurately reflect the company's intended practices. Second, the GRI indicators and the provisions of POJK 51/2017 are treated as relevant normative standards in assessing the quality of a company's ecosystem coverage and governance. Third, the SWOT analysis results are considered to reflect the internal and external conditions that actually influence the strategy's sustainability during the observation period. By explicitly stating these assumptions, the study maintains methodological consistency and avoids interpretation bias in drawing strategic conclusions for the company.

### **Disclosure**

Disclosure of information by companies can be voluntary or mandatory. Voluntary disclosure is made without pressure from accounting standards or regulations, whereas official requirements require mandatory disclosure. Public companies typically disclose information through annual reports and sustainability reports.

### **Sustainability Report**

PT ABC Tbk's sustainability report demonstrates the company's sustainability performance. The GRI standards and POJK 51 determine the company's sustainability strategy. All standards aim to support government policies related to the SDGs.

### **Sustainability Report SWOT Analysis**

A SWOT analysis helps assess internal conditions (Strengths & Weaknesses) and external factors (Opportunities & Threats). The primary subjects assessed are indicators of Indonesian regulatory demand and global standards (Bonfante et al., 2021).

## **3. Data and Method**

This research uses a qualitative descriptive approach and a single-case study design to analyze PT ABC Tbk. 's 2024 Sustainability Report. Data were obtained from secondary documents, namely sustainability reports, annual reports, GRI Standards guidelines, and regulations POJK 51/2017 and SEOJK 16/2021, as assessment references and analytical frameworks. Data collection was conducted through document analysis to identify similarities between ESG and relevant GRI indicators in the mining sector.

The data analysis procedure was carried out in three stages: (1) data reduction by grouping GRI indicators into internal (Strengths–Weaknesses) and external (Opportunities–Threats) aspects; (2) data presentation in a SWOT matrix; and (3) conclusions regarding the company's strategic position. To enhance scientific rigor, the SWOT study was operationalized through the following weighting and assessment mechanisms:

- (a) Weighting, which determines the importance of each SWOT factor using a Likert Scale of 1–5 based on expert judgment from three ESG and governance experts;
- (b) Rating, which assesses the strength or weakness of internal factors, as well as the probability and impact of external factors on the company;
- (c) Calculation of a Weighted Score to determine the strategic position of PT ABC Tbk within the SWOT Matrix.

The validity and reliability of the analysis were maintained through source triangulation (comparing the decommissioning report with supporting documents and relevant regulations) and expert review (expert validation) to ensure the analysis's interpretation is consistent with decommissioning practices in the mining sector. This method was used to determine the extent to which PT ABC Tbk's strategy reflects social values, governance accountability, and stakeholder expectations in accordance with the principles of Legitimacy Theory and Stakeholder Theory.

#### 4. Results

Based on the research results, several indicators are assessed, including:

##### SWOT Results

Based on the SWOT analysis results, the author assessed 21 indicators. The strengths and weaknesses of PT ABC Tbk's sustainability performance are as follows:

##### Strength:

- 1) Economic performance: increase in production volume.
- 2) Market presence: following national & international standards
- 3) Indirect economic impact: contributing to providing social and economic welfare from the cost of education of 7.5 billion, health of 4.2 billion and economy of 2.2 billion
- 4) Anti-corruption: No corruption was found during 2024.
- 5) Tax: already compliant and transparent
- 6) Energy: production volume (coal shipped) increased.
- 7) Water & Effluent: Water and effluent quality monitoring have been carried out.
- 8) Biodiversity: The existence of reclamation and revegetation programs
- 9) Emissions: GHG inventory has been conducted for 3 years.
- 10) Waste: B3 and Non-B3 waste management, as well as effluent waste management, have been carried out.
- 11) Staffing: There is growth in the number of employees
- 12) K3: K3 culture has been established because it aligns with national and international standards.
- 13) Training & Education: There has been an increase in education and training.
- 14) Diversity & Equal Opportunity: transparent policies.
- 15) Non-Discrimination: no incidents of discrimination
- 16) Child Labor: already complies with national & international standards
- 17) Forced & Compulsory Labor: Labor practices are in accordance with global standards
- 18) Indigenous peoples' rights: there is already support for social aspects.
- 19) Local community: the direct involvement of local communities in recruiting local workers, contractors, and MSMEs has had a real impact on the community's economy.
- 20) Closure & Rehabilitation: proper compliance and regulations.
- 21) Asset Integrity and Critical Incident Management: learning efforts are carried out through active response, regulatory compliance, HSE systems, and increased awareness.

**Weakness:**

- 1) Economic Performance: net revenue decreased by 3.8%, while net profit decreased by 26.3% compared to 2023.
- 2) Market Presence: limited contract negotiations
- 3) Indirect Economic Impact: If the program is not integrated with the core business (e.g., mining → energy transition, environmental rehabilitation), it may be considered irrelevant.
- 4) Anti-Corruption: It has not been clarified whether the system has been independently audited to ensure effectiveness.
- 5) Tax: The text still focuses on formal compliance rather than on efficient tax optimization strategies.
- 6) Energy: Energy intensity increased from 2022 to 2024 (0.2708 to 0.3804 GJ/Ton), indicating that the energy required per ton of coal increased, resulting in lower energy efficiency.
- 7) Water & Effluent: Water use intensity fluctuated inconsistently, increasing by 82% from 2023 and decreasing by 3% from 2022.
- 8) Biodiversity: There is no detailed information on monitoring the effectiveness of reclamation and the success of revegetation, such as plant survival rates.
- 9) Emissions: The absence of a clear reduction target or emissions roadmap makes it vulnerable to being considered mere “compliance” without a long-term strategy.
- 10) Waste: The 3R management rate for Non-B3 waste is still 42%, indicating that some waste has not been fully recycled.
- 11) Staffing: employee turnover rate is quite high: 315 people left in 2024, including both men and women, which has the potential to reduce team continuity.
- 12) K3: Increase in the Number of Accidents in 2024. From 0 accidents in 2022–2023 to 7 people in 2024.
- 13) Training & Education: distribution of hours did not increase.
- 14) Diversity and Equal Opportunity: Gender inequality: The proportion of women is relatively small (2024: 483 women vs. 3,666 men, approximately 11.6%). Potential perception of “lack of inclusiveness” in the workforce.
- 15) Non-discrimination: Claims of "never having an incident" can potentially be considered defensive if a transparent complaints mechanism does not support them.
- 16) Child Labor: Lack of additional data (e.g., human rights training, labor audits, or supplier due diligence) makes claims vulnerable to being perceived as lacking transparency.
- 17) Forced and Compulsory Labor: No publication of quantitative indicators (e.g., results of human rights audits, number of complaints received and handled).
- 18) Indigenous Peoples' Rights: Claims of “no complaints” can give the impression of underreporting if not accompanied by evidence of socialization of complaint mechanisms.
- 19) Local Communities are still limited to being equal business partners, so involvement is often as a subcontractor, not a co-creator.
- 20) Closure and Rehabilitation: Unclear quantitative impact: No concrete results are reported (e.g., reclaimed land area, number of species conserved), making it difficult to assess cost-effectiveness.
- 21) Asset Integrity & Critical Incident Management: 7 work incidents in one year indicate that there are still gaps in the OHS system.

**Opportunity:**

- 1) Economic performance: Implementing B35 fuel provisions, namely the use of biofuel as a mixture of diesel engine fuel, reducing plastic waste, and reusing water for irrigation activities.
- 2) Market presence: the need for long-term customer support by implementing transparent pricing mechanisms following global indices.
- 3) Indirect economic impact: Potential to build partnerships with governments, universities, NGOs, or donor agencies.
- 4) Anti-corruption: Can be positioned as a best practice of corporate governance (GCG) in sustainability reports & ESG disclosure.
- 5) Tax: Tax compliance and transparency can improve a company's reputation in the eyes of investors, governments and the public.

- 6) Energy: Potential to adopt energy efficiency or renewable energy technologies to reduce energy intensity.
- 7) Water & Effluent: expanding the closed circuit system and water recycling can reduce water consumption.
- 8) Biodiversity: The application of environmentally friendly technologies (e.g., soil stabilization, water treatment) can increase efficiency and reduce impacts.
- 9) Emissions: Can utilize Indonesia's carbon credits and carbon trading (SRN-PPI System, IDX Carbon Exchange) as a business opportunity, as well as emission compensation.
- 10) Waste: Collaboration with recycling startups or local communities for innovation in non-B3 and organic waste management.
- 11) Staffing: Leveraging employee growth to build competency, leadership, and an inclusive culture.
- 12) K3: Provide additional training, regular audits, and K3 certification for contractors.
- 13) Training & Education: Utilizing training data for succession planning (regeneration of future leaders).
- 14) Diversity & Equal Opportunity: Benchmarking with global best practices: Can strengthen PT ABC Tbk's position in international standards related to inclusion & fair remuneration.
- 15) Non-Discrimination: Expanding gender equality and social inclusion initiatives in the areas of recruitment and career paths.
- 16) Child Labor: Develop CSR/Community Development programs to prevent child labor in communities around mines (e.g., education programs, scholarships, youth training).
- 17) Forced & Compulsory Labor: Leveraging labor-free commitments as a competitive differentiator for international investors.
- 18) Rights of indigenous peoples: Conduct independent audits or evaluations of the effectiveness of grievance mechanisms in accordance with the GRI principles (accessibility, transparency, non-retaliation).
- 19) Local communities: Multi-stakeholder collaboration: Working with local governments, NGOs, and educational institutions can strengthen the impact of PPM and open up external funding sources.
- 20) Closure & Rehabilitation: Sustainability certification opportunities, such as PROPER Gold or international standards (ISO 14001, IFC PS, Equator Principles), that can strengthen the image.
- 21) Asset Integrity and Critical Incident Management: Government & public support: ESDM regulations and directives can be used as a guide for long-term improvements.

#### **Threat:**

- 1) Economic performance: Decrease in revenue caused by falling coal demand and prices due to the global energy transition and government policies that restrict and impose additional burdens on the coal industry.
- 2) Market presence: automatically exposed to global price volatility; if coal prices fall, income will also fall.
- 3) Indirect economic impact: If beneficiaries do not feel a tangible impact, it can lead to criticism or resistance.
- 4) Anti-corruption: Risk of under-reporting due to organizational culture (employees are reluctant to report even if there are cases).
- 5) Tax: Risk of different interpretation of tax rules by authorities (potential tax disputes).
- 6) Energy: Increased energy consumption is directly proportional to increased emissions, which poses a potential risk to carbon tax policies or carbon markets.
- 7) Water & Effluent: water consumption increasing faster than production can trigger the perception of "inefficiency" in the eyes of investors/the public.
- 8) Biodiversity: Risk of reputational damage in the event of an environmental incident (e.g., pollution, death of protected animals, or failed reclamation).
- 9) Emissions: Potential for reduced competitiveness if companies do not quickly transition to clean energy, compared to greener competitors.
- 10) Waste: Potential environmental impacts due to waste that has not been fully managed, for example, soil or water pollution from non-B3 waste residue.

- 11) Staffing: A high male-to-female ratio can create perceptions of inequality if not balanced by inclusive policies.
- 12) K3: Even with fatigue management, the risk of human error remains high in heavy physical work.
- 13) Training & Education: Competency Imbalance: Uneven training hours can create a skill gap between job levels.
- 14) Diversity & Equal Opportunity: Public perception of gender proportions: Despite equal pay, male dominance ( $\pm 88\%$ ) can lead to criticism of a lack of diversity.
- 15) Non-Discrimination: Potential accusations of “greenwashing/social-washing” if claims are not supported by concrete evidence or a complaint reporting system.
- 16) Child Labor: As regulations and ESG standards become stricter, companies need to be prepared with more detailed evidence.
- 17) Forced & Compulsory Labor: If forced labor is found in a contractor/vendor, PT ABC Tbk's reputation could be directly impacted, even if it is not carried out internally.
- 18) Indigenous peoples' rights: If grievance mechanisms are not considered easily accessible, communities may file complaints through the media or NGOs, potentially damaging reputations.
- 19) Local communities: Community resistance if expectations are not met: The risk of demonstrations, compensation demands, or social conflict remains even though PPM is in place.
- 20) Closure & Rehabilitation: Risk of tighter regulations: The government could tighten mining reclamation/closure rules, potentially increasing costs.
- 21) Asset Integrity and Critical Incident Management: Stricter regulatory sanctions: If incidents recur, potential fines or operational restrictions may occur.

**Sustainability Performance Results**

Sustainability performance is derived from GRI indicators. The assessment is based on two factors: internal and external. Internal and external factors are assessed to assess economic performance, resource diversity, anti-corruption, taxes, employment, market presence, indirect economic impacts, energy, biodiversity, emissions, waste, OHS, training and education, indigenous and local community rights, and closure and rehabilitation.

**Table 1. Sustainability Performance Result Indicators**

GRI	GRI Indicators	FI	FE
202 (1-4)	Economic Performance	0.1	0.1
202 (1-2)	Market Existence	0.06	0.06
203 (1-2)	Indirect Economic Impact	0.06	0.18
205 (1-3)	Anti-Corruption	0.05	0.1
207 (1,3,4)	Tax	0.1	0.03
302 (1,3,4)	Energy	0.09	0.1
303 (1-5)	Water & Effluent	0.1	0.18
304 (1-4)	Biodiversity	0.12	0.15
305 (1,2,4,7)	Emission	0.1	0.18
306 (1-5)	Waste	0.15	0.18
401 (1-3)	Personnel	0.05	0.12
403 (1-9)	K3	0.1	0.06
404 (1-2)	Training & Education	0.12	0.12
405 (1-2)	Diversity and Equal Opportunity	0.1	0.1
406 (1)	Non-discrimination	0.03	0.03
408 (1)	Child Labor	0.1	0.06
409 (1)	Forced and Compulsory Labor	0.1	0.06
411 (1) & 12.11	Indigenous Peoples' Rights	0.15	0.1
413 (1-2) & 12.9	Local Community	0.15	0.1
12.3	Closure and Rehabilitation	0.15	0.18
12.13	Asset Integrity & Critical Incident Management	0.18	0.05
Total Score Value		2.16	2.24

Source: Author, 2025

Based on the weighting and grouping of GRI indicators, the internal factor (FI) score was 2.16 and the external factor (FE) score was 2.24, indicating the company's strategic position is in the average category (moderate sustainability performance). These findings form the basis for the theoretical discussion in the following section.

## 5. Discussion

Based on a SWOT analysis of PT ABC Tbk's 2024 Sustainability Report, the company's key strengths are demonstrated in governance, regulatory compliance, and socio-economic contributions. The company performs strongly on anti-corruption (GRI 205) and taxation (GRI 207) indicators, demonstrating pragmatic legitimacy to maintain public support and enhance its sustainability reputation (Adomako & Tran, 2025). The company also performs well in environmental and OHS aspects through water quality management, management of hazardous and non-hazardous waste, and reclamation activities. Its OHS culture, which adheres to national and international standards, demonstrates dynamic capabilities to mitigate operational risks (Teece, 2022).

However, several internal weaknesses still indicate a gap between sustainability declarations and implementation. From an economic perspective, a 3.8% decline in revenue and a 26.3% decline in net profit in 2024 could reduce ESG investment capacity and undermine the company's economic legitimacy (Ogunode, 2022). Furthermore, energy intensity increased from 0.2708 to 0.3804 GJ/ton of coal (2022–2024), and the absence of a decarbonization roadmap indicates that environmental strategies remain compliance-based (Fatemi & Glaum, 2022).

In terms of social aspects, gender inequality remains high, with women representing only around 11.6% of the total workforce, thus not reflecting GRI 405 and the SDG 5 targets. This inequality can also hinder innovation and long-term reputation (Kotsantonis & Pinney, 2023). Furthermore, the increase in the number of workplace accidents from 0 (2023) to 7 incidents (2024) indicates a decline in the effectiveness of OHS implementation at the operational level.

Theoretically, this condition suggests that PT ABC Tbk remains in the normative legitimacy phase, where sustainability implementation is driven by regulatory compliance and external pressure rather than by internal strategic commitment (Porter & Kramer, 2021). To transition to strategic sustainability, companies need to improve energy efficiency, develop an emissions-reduction roadmap, and establish more inclusive, safety-focused policies. These steps will strengthen social legitimacy, stakeholder relationships, and competitiveness in the context of the global energy transition (Hirlekar et al., 2025).

### Discussion of Opportunities and Threats (External)

External factors play a crucial role in shaping PT ABC Tbk's sustainability strategy. Based on the SWOT analysis, several opportunities and threats emerge from the macro context regulatory, economic, social, and environmental that affect the company's sustainability performance. These findings reveal the extent to which PT ABC Tbk can navigate external changes as part of its strategic adaptation to Environmental, Social, and Governance (ESG) principles.

PT ABC Tbk's primary opportunities stem from global policy shifts toward the energy transition and increasing demands for sustainability transparency. Nationally, the implementation of the B35 biodiesel policy, the Indonesian carbon market (IDX Carbon Exchange), and the carbon pricing mechanism provide opportunities for mining companies to participate in emissions trading and carbon offset schemes. (IFRS, 2024).

Implementing energy-efficiency strategies and adopting renewable energy can reduce energy intensity and enhance the company's reputation with investors. Fatemi & Glaum (2022). He stated that companies that are responsive to climate regulations and able to integrate emissions targets into their business plans command a higher market premium in international capital markets. In addition to opportunities in the energy sector, there is significant potential in multi-stakeholder collaboration between companies, governments, academics, and communities.

Companies can expand the social and economic impact generated from corporate social responsibility (CSR) activities into shared value creation. (Porter & Kramer, 2021) PT ABC Tbk has the opportunity to strengthen relationships with local communities and non-governmental organizations (NGOs) through programs focused on economic empowerment, skills training, and environmental preservation. This collaborative approach not only improves the well-being of the surrounding community but also strengthens stakeholder legitimacy, the social recognition gained through positive and mutually beneficial relationships between the company and its stakeholders. (Aguinis & Glavas, 2024) Another opportunity arises from the global trend toward internationally standardized ESG disclosures. The adoption of new reporting standards, such as IFRS S1–S2 and the Task Force on Climate-related Financial Disclosures (TCFD), creates an opportunity for PT ABC Tbk to enhance the credibility and comparability of its sustainability reports with those of multinational companies.

Companies that adopt IFRS-based ESG reporting gain a competitive advantage in attracting institutional investors because their reports are more consistent, relevant, and independently auditable. Therefore, if PT ABC Tbk can adopt these global standards, the company can enhance its international legitimacy and strengthen its competitiveness in the Southeast Asian mining sector. From a social perspective, opportunities also arise from increased public awareness of sustainability and social inclusivity. Public demand for environmental transparency, worker welfare, and gender equality is growing.

PT ABC Tbk faces several external threats that could hinder its sustainability efforts. The main threats arise from the volatility of global coal prices and the acceleration of the energy transition to clean energy sources. Shifts in international and domestic policies that reduce fossil fuel use pose risks of declining revenues and rising environmental adaptation costs. This situation aligns with the findings of Kotsantonis & Pinney (2023), who state that companies highly dependent on emissions-intensive sectors face significant transition risks. Furthermore, increasing public and regulatory expectations for transparency in ESG reporting pose reputational risks if companies fail to demonstrate concrete evidence of sustainable practices.

Another threat stems from social risks and tightening sustainability regulations. Public expectations for tangible economic and social contributions are rising, and if these expectations are not met, companies may face social resistance or lose their social license to operate. On the other hand, increasingly stringent ESG regulations, such as the strengthening of the Financial Services Authority Regulation (POJK) and the IFRS S1–S2 standards, require companies to increase their adaptive capacity and conduct sustainability audits. (IFRS, 2024) Therefore, PT ABC Tbk needs to strengthen public communication, environmental innovation, and stakeholder engagement to maintain social legitimacy while minimizing reputational and compliance risks amidst changing global policies.

### **Synthesis of Opportunities and Threats as a Strategic Direction**

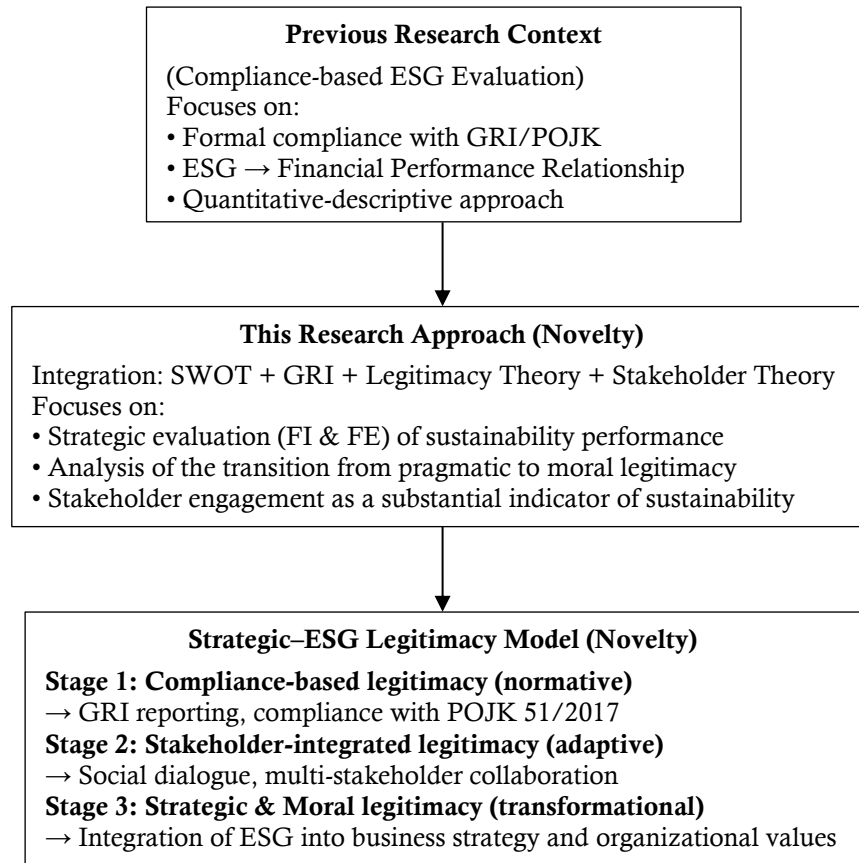
The SWOT analysis results indicate that PT ABC Tbk's sustainability performance is in the average category, with internal factor (FI) and external factor (FE) scores of 2.16 and 2.24, respectively. This finding answers the main research question: the company has reached the stage of normative compliance with sustainability standards but has not yet internalized ESG principles into its core business strategy. Within the Legitimacy Theory framework, this condition describes the company's pragmatic legitimacy, achieved through formal compliance with regulations such as POJK 51/2017 and GRI reporting standards. However, it has not yet fully achieved moral legitimacy, namely, legitimacy grounded in values and an intrinsic commitment to sustainability. (Ogunode, 2022) From a stakeholder theory perspective, these results indicate that PT ABC Tbk's sustainability reporting is more oriented toward regulatory reporting obligations than toward active engagement with non-governmental stakeholders. Although the company has implemented social and environmental programs, local community participation and feedback mechanisms remain limited and hierarchical.

Overall, integrating the SWOT analysis with legitimacy and stakeholder theory indicates that PT ABC Tbk is in a transition phase toward strategic sustainability. To move toward this stage, the

company needs to strengthen its moral legitimacy through evidence-based disclosure, increased energy efficiency, and multi-stakeholder participation in the formulation of ESG policies. This approach aligns with the Strategic-ESG Legitimacy Model, in which sustainability is no longer viewed as a regulatory obligation but as a corporate strategy for building social value and long-term competitiveness.(Aguinis & Glavas, 2024)(Aguinis & Glavas, 2024; Porter & Kramer, 2021).

The main novelty of this research lies in integrating a GRI-based SWOT analysis with the theoretical frameworks of Legitimacy Theory and Stakeholder Theory to evaluate the sustainability performance of Indonesia's mining sector. This approach shifts the ESG assessment paradigm from mere compliance reporting to a strategic tool that measures a company's position and direction in sustainability. While most previous research has focused on the relationship between ESG disclosure and financial performance, Kotsantonis & Pinney (2023) offer a new perspective by examining the balance between internal and external factors and their impact on corporate social legitimacy.

In addition, this study introduces the Strategic-ESG Legitimacy Model, which explains how a company transitions from compliance-based legitimacy to strategic and moral legitimacy. This model emphasizes that effective sustainability is achieved not only through transparent reporting but also through integrating ESG values into business strategy, fostering environmental innovation, and engaging stakeholders in participatory ways. (Aguinis & Glavas, 2024)This research contributes to the ESG literature in developing countries by providing a contextual, adaptive, and relevant analytical framework for assessing a company's readiness to address global pressures related to the energy transition and corporate sustainability. PT ABC Tbk has made efforts to comply with ISO 14001, but needs to improve by also complying with other ISO standards. ISO ESG could be an opportunity for PT ABC Tbk to achieve a good rating and attract investors.(Pasaribu, 2024)PT ABC Tbk also needs to understand the importance of sustainability audits, as they help the company assess its sustainability performance (ESG The Report, nd).



**Figure 1. ESG Strategic-Legitimacy Model**

### Stage 1

#### ***Compliance-Based Legitimacy (Normative)***

The initial phase reflects the state of ESG research and practice prior to 2017, when companies focused on formal compliance with regulations such as POJK 51/2017 and GRI reporting. In this phase, sustainability is viewed as an administrative obligation to gain pragmatic legitimacy through reporting that meets minimum standards.

### Stage 2

#### ***Stakeholder-Integrated Legitimacy (Adaptive)***

The second stage is the core of this research's novelty. PT ABC Tbk is shifting from mere compliance to active stakeholder engagement. This approach emphasizes social dialogue, multi-stakeholder collaboration, and strengthened accountability in ESG implementation. By integrating Stakeholder Theory, this stage highlights the importance of two-way communication in strengthening social legitimacy and enhancing the credibility of sustainability reporting.

### Stage 3

#### ***Strategic & Moral Legitimacy (Transformational)***

The third stage marks the transformation toward strategic sustainability, namely the full integration of ESG principles into core business strategies and organizational culture. At this stage, corporate legitimacy is derived not only from compliance or engagement, but from moral values and a long-term commitment to sustainability (moral legitimacy). This is the culmination of research novelty: ESG is no longer viewed as a reporting obligation, but rather as a corporate strategy for building shared value and sustainable competitiveness (Porter & Kramer, 2021).

## 6. Conclusion

The conclusion aligns well with the research objectives and discussion, and further emphasizes measurable strategic implications. The SWOT analysis results indicate that PT ABC Tbk's sustainability performance is moderate, with internal and external factor scores of 2.16 and 2.24, respectively. These scores reflect that sustainability initiatives are still largely driven by regulatory compliance rather than being embedded in the company's long-term competitiveness strategy. Therefore, PT ABC Tbk needs to strengthen its sustainability governance by optimizing internal capabilities and mitigating external risks, particularly in anticipation of dynamic ESG regulations and energy transition pressures.

Through the lens of Legitimacy Theory and Stakeholder Theory, this study highlights that PT ABC Tbk currently achieves normative legitimacy fulfilling mandatory disclosure requirements yet has not fully transitioned to moral legitimacy, in which sustainability performance inherently delivers social and environmental value. The proposed Strategic-ESG Legitimacy Model offers a practical pathway for companies in the extractive sector to shift from compliance-based sustainability to a stakeholder-centric strategy that creates shared value.

This study contributes to strategic corporate sustainability research by showing how GRI-based SWOT assessment can quantify a company's legitimacy position and inform targeted improvement plans. Future research is encouraged to employ more robust weighting techniques and involve a broader range of stakeholders to enhance analytical accuracy and evaluate the model's applicability across industries.

## Recommendation

Based on the analysis, this study recommends that PT ABC Tbk shift strategically from a compliance-driven approach to an integrated sustainability strategy that is value-oriented and aligned with the demands of the global energy transition. The company should establish a medium- and long-term sustainability roadmap with measurable performance targets, including reductions in emissions, improvements in energy efficiency, and increased adoption of renewable energy technologies.

Stakeholder engagement should be strengthened through structured, transparent, two-way communication, such as community consultation mechanisms, NGO collaboration, and independent ESG assurance. Enhancing inclusivity and gender equality programs in talent acquisition, leadership development, and remuneration is also essential to ensure a resilient and equitable workplace.

In governance, the company is advised to adopt global reporting standards such as IFRS S1–S2 and TCFD, as well as robust tax transparency practices. Integrating tax governance within the ESG framework through public tax disclosure, responsible tax-planning policies, and alignment with OECD BEPS standards will reinforce integrity, reduce reputational risk, and clarify the company's contribution to national revenue and the achievement of SDGs.

These strategic actions are expected to elevate PT ABC Tbk's legitimacy from normative compliance toward sustainable moral legitimacy, consistent with the Strategic–ESG Legitimacy Model proposed in this research. Ultimately, this transformation will enhance competitive positioning as a responsible mining company, ensure resilience to regulatory and market shifts, and create long-term value for stakeholders and society.

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