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ASSESSING ESG MATERIALITY THROUGH SUSTAINABILITY REPORT AND STAKEHOLDERS' PERCEPTIONS

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ABSTRAK

Penelitian ini bertujuan mengevaluasi materialitas ESG berdasarkan pengungkapan dalam laporan keberlanjutan dan persepsi stakeholder eksternal pada bank pembangunan daerah. Penelitian menggunakan pendekatan studi kasus kualitatif dengan analisis konten dan analisis tematik yang didukung perangkat lunak NVivo. Data diperoleh dari laporan keberlanjutan bank, wawancara, dan kuesioner yang melibatkan stakeholder eksternal. Hasil penelitian menunjukkan bahwa perusahaan dan stakeholder memberikan perhatian yang lebih besar pada aspek sosial dan tata kelola dibandingkan aspek lingkungan. Sebagian besar topik material ESG menunjukkan prioritas yang relatif sejalan antara kedua perspektif, meskipun masih terdapat perbedaan pada beberapa topik. Secara keseluruhan, pengungkapan ESG perusahaan telah mencerminkan sebagian besar prioritas stakeholder, namun masih terdapat beberapa area yang memerlukan penguatan untuk meningkatkan keselarasan dengan ekspektasi stakeholder.

Kata Kunci: materialitas ESG; pelaporan keberlanjutan; persepsi pemangku kepentingan; bank pembangunan daerah

ABSTRACT

This study aims to evaluate ESG materiality based on sustainability report disclosures and external stakeholder perceptions in a regional development bank. A qualitative case study approach was employed using content analysis and thematic analysis supported by NVivo software. The data were collected from the bank's sustainability report, interviews, and questionnaires involving external stakeholders. The findings indicated that both the organization and stakeholders placed greater emphasis on social and governance issues than on environmental topics. Most ESG material topics showed relatively consistent priorities between the two perspectives, although differences remained for several topics. Overall, the findings suggest that the bank's ESG disclosures generally reflect stakeholder priorities, while several areas require further strengthening to improve alignment with stakeholder expectations.

Keywords: ESG materiality; sustainability reporting; stakeholder perceptions; regional development bank

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1. Introduction

The growing emphasis on sustainable business practices has encouraged organizations to integrate Environmental, Social, and Governance (ESG) considerations into their strategic decision-making and corporate reporting (He et al., 2023; Miqdad et al., 2024). As stakeholder expectations regarding transparency and accountability continue to increase, Sustainability reporting has become a widely recognized instrument for informing stakeholders about an organization's sustainability impacts and commitments (Chiacchio et al., 2024; Papoutsi & Sodhi, 2020). Beyond serving as a disclosure tool, sustainability reporting enables organizations to demonstrate how sustainability issues are incorporated into business operations and long-term value creation (Nishitani et al., 2021).

Obviously, a key principle underlying sustainability reporting is materiality. Materiality helps organizations identify and prioritize sustainability issues that are considered most significant to both the organization and its stakeholders (GRI, 2021; Wang et al., 2024). Through materiality assessment, companies determine which ESG topics should be emphasized in sustainability disclosures, thereby improving the relevance, credibility, and usefulness of reported information (Menichini & Salierno, 2023). Consequently, the effectiveness of sustainability reporting depends not only on the amount of information disclosed but also on the extent to which the reported topics reflect stakeholder concerns and the organization's most significant sustainability impacts (Luque-Vílchez et al., 2023).

In fact, the increasing emphasis on ESG materiality reflects the ongoing development of sustainability reporting standards and regulatory requirements worldwide (Deepak et al., 2024; Jørgensen et al., 2022). In Indonesia, this development has been supported by Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017, which obliges financial institutions and listed companies to disclose sustainability-related information (Saraswati et al., 2024). More recently, the adoption of Sustainability Disclosure Standards (PSPK 1 and PSPK 2), which are aligned with IFRS Sustainability Disclosure Standards, reflects Indonesia's commitment to improving the quality and consistency of sustainability reporting (IAI, 2025). These developments highlight the growing need for organizations to ensure that materiality assessments are conducted rigorously and that disclosed ESG topics genuinely represent issues of greatest significance.

This issue is particularly important within the banking sector, where banks influence sustainable development through both their operational practices and their lending and investment activities (Scholtens & Klooster, 2019; Sengupta et al., 2023). Consequently, ESG issues in banking extend beyond environmental concerns and include customer protection, service quality, cybersecurity, transparency, accountability, and risk management (Masemola & Herbert, 2025). These issues can directly affect stakeholder trust and organizational legitimacy, making the identification and disclosure of material ESG topics increasingly important (Formisano et al., 2018).

Despite the growing adoption of ESG reporting, concerns remain regarding whether disclosed material topics truly reflect stakeholder priorities. Previous studies have shown that materiality assessments often vary across organizations due to differences in methodology, stakeholder engagement, and reporting practices (Garst et al., 2022; Liu et al., 2023). In many cases, materiality determination remains largely organization-driven, creating the possibility that issues considered important by external stakeholders are not adequately represented in sustainability reports (Cooper & Michelon, 2022; Puroila & Mäkelä, 2019). As a result, a gap may emerge between corporate disclosures and stakeholder expectations, potentially reducing the credibility and effectiveness of sustainability reporting (Mezzanotte, 2023).

Despite the growing body of literature on ESG disclosure and materiality, empirical studies comparing sustainability report disclosures with external stakeholders' perceptions of material ESG issues remain limited, particularly among regional development banks. Existing studies have predominantly focused on disclosure content or conceptual discussions of materiality (Garst et al., 2022; Wang et al., 2024), providing limited evidence regarding whether disclosed material topics correspond to issues perceived as significant by stakeholders. Previous research has also highlighted challenges related to stakeholder involvement and transparency in materiality assessments (Farooq & de Villiers, 2019; Putri et al., 2022). This gap remains important because materiality should not only reflect organizational priorities but also capture the concerns of those affected by organizational activities (Cooper & Michelon, 2022).

Therefore, this study aims to evaluate ESG materiality in a regional development bank by comparing ESG topics disclosed in the bank's sustainability report with the perceptions of external stakeholders. By assessing the extent of alignment between sustainability report disclosures and stakeholder perceptions, this study contributes to the ESG materiality literature while providing insights that may support more relevant, transparent, and credible sustainability reporting in the banking sector.

2. Literature Review & Conceptual Framework

Sustainability reporting has become a widely recognized means of providing stakeholders with information regarding an organization's environmental, social, and governance performance (Bronzini et al., 2024). Beyond financial performance, sustainability reports provide information regarding how organizations manage risks associated with sustainability issues, opportunities, and impacts (Alsayegh et al., 2020). ESG disclosure serves not only as a transparency tool but also as a means of demonstrating accountability to various stakeholder groups (Safriani & Utomo, 2020).

In the banking sector, ESG disclosure has gained increasing attention due to the industry's role in supporting sustainable development through financing and investment activities (Scholtens & Klooster, 2019; Sengupta et al., 2023). Banks are expected to disclose information related to environmental responsibility, customer protection, risk management, governance practices, and broader social impacts (Masemola & Herbert, 2025). Consequently, sustainability reporting has become an important instrument for evaluating how banks respond to sustainability challenges and stakeholder expectations (Ahmad et al., 2024). However, the usefulness of sustainability reporting depends not only on the extent of disclosure but also on whether the disclosed ESG topics reflect issues that are considered material by both organizations and stakeholders. This highlights the importance of materiality in sustainability reporting. While sustainability reports provide a broad range of ESG information, organizations must determine which issues are most significant and therefore deserve greater attention in disclosure.

Materiality is a key element of sustainability reporting that enables organizations to identify and disclose sustainability issues deemed most significant to the organization and its stakeholders (GRI, 2021; Liu et al., 2023). Within the GRI framework, material topics refer to issues linked to the organization's most substantial impacts on economic, environmental, and social dimensions. The concept of materiality allows organizations to direct attention toward sustainability issues that have the greatest relevance for stakeholders and organizational decisions (Baumüller & Sopp, 2021; Saraswati et al., 2024).

Recent literature distinguishes between financial materiality and impact materiality. Financial materiality focuses on sustainability issues that may affect an organization's financial performance, risks, or value creation (Menicucci, 2025), whereas impact materiality considers the social and environmental consequences of organizational activities, regardless of whether they generate immediate financial effects (GRI, 2021).

Despite the growing adoption of materiality assessments, previous studies indicate that materiality determination remains complex and highly dependent on organizational judgment (Garst et al., 2022; Wang et al., 2024). Differences in stakeholder engagement processes, reporting approaches, and institutional contexts often result in variations in material topics across organizations (Garst et al., 2022; Liu et al., 2023). Consequently, concerns remain regarding whether disclosed material topics adequately reflect stakeholder priorities and perceived impacts (Cooper & Michelon, 2022), particularly in industries where stakeholder expectations play a critical role, such as banking. Because materiality assessments are intended to capture issues that matter to stakeholders, understanding the relationship between organizations and their stakeholders becomes essential. This perspective is explained through Stakeholder Theory, which emphasizes the importance of considering stakeholder interests and expectations in organizational decision-making.

Stakeholder Theory provides a useful perspective for understanding ESG disclosure and materiality assessment. The theory suggests that organizations have responsibilities not only to shareholders but also to various stakeholder groups that can influence, or be influenced by, organizational activities (Dathe et al., 2024). These stakeholders include customers, regulators, communities, employees, and other external parties.

Within the context of sustainability reporting, stakeholder expectations play an important role in determining which ESG issues are considered significant (Mahajan et al., 2023). Materiality assessments are therefore expected to incorporate stakeholder perspectives to ensure that disclosed information remains relevant and responsive to stakeholder concerns (Khamisu et al., 2024). From this perspective, the alignment between disclosed ESG topics and stakeholder perceptions can be viewed as an indicator of how effectively organizations address stakeholder expectations.

Several studies have highlighted that differences often exist between organizational priorities and stakeholder concerns (Farooq & de Villiers, 2019; Puroila & Mäkelä, 2019). Such differences may result in gaps between sustainability disclosures and stakeholders' perceptions of material issues. Therefore, examining these gaps is important for assessing the relevance and credibility of ESG reporting. Beyond responding to stakeholder expectations, organizations also use sustainability disclosures to demonstrate that their activities are consistent with broader societal values and norms. This perspective is reflected in Legitimacy Theory.

Legitimacy Theory suggests that organizations seek to obtain and maintain societal approval by ensuring that their activities and practices are consistent with prevailing social values, norms, and expectations. Organizational legitimacy is achieved when stakeholders perceive that a company's actions are appropriate, desirable, and aligned with broader societal interests.

Within the ESG context, organizational legitimacy has gained greater significance as stakeholders increasingly assess organizations based on both their financial outcomes and their environmental and social performance. Sustainability reporting serves as one of the primary mechanisms through which companies communicate their ESG commitments and demonstrate accountability to society (Bronzini et al., 2024; Safriani & Utomo, 2020). Through ESG disclosures, organizations seek to strengthen stakeholder trust, enhance corporate reputation, and reinforce their legitimacy (Chen et al., 2023).

However, ESG disclosures do not always fully reflect the issues that stakeholders consider most important. Organizations may place greater emphasis on topics that support their strategic objectives or public image, while stakeholders may prioritize different sustainability concerns (Puroila & Mäkelä, 2019). As a result, discrepancies may arise between ESG topics emphasized in sustainability reports and those perceived as material by external stakeholders.

Examining the alignment between ESG disclosures and stakeholder perceptions is important because it provides insight into whether sustainability reporting effectively reflects societal expectations. A high degree of alignment may indicate that organizational disclosures support legitimacy by addressing stakeholder concerns, whereas significant gaps may suggest areas where communication and stakeholder engagement could be strengthened.

Drawing upon Stakeholder Theory and Legitimacy Theory, this study aims to evaluate ESG materiality by comparing ESG topics disclosed in a sustainability report with external stakeholder perceptions. Stakeholder Theory provided the basis for examining whether disclosed ESG topics reflect stakeholder concerns, while Legitimacy Theory explained why organizations disclose ESG information to maintain societal approval and stakeholder trust. The degree of alignment between these two perspectives was used to assess the relevance and credibility of ESG disclosures.

Based on the theoretical perspectives and prior literature discussed above, the research framework was developed to evaluate ESG materiality through a comparison between sustainability report disclosures and external stakeholder perceptions. The framework guiding this study is presented in Figure 1.

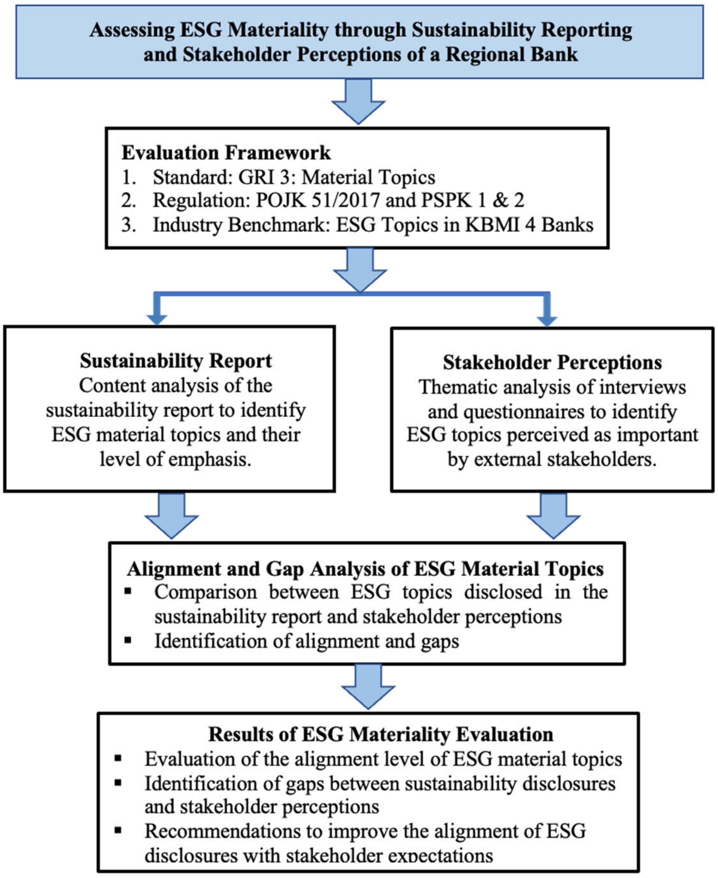

Figure 1. Research Framework

Figure 1 shows the research framework employed in this study. The evaluation of ESG materiality was based on three main references, namely GRI 3: Material Topics, POJK No. 51/POJK.03/2017 and PSPK 1 and 2, as well as ESG topics commonly disclosed by KBMI 4 banks. These references provided the basis for identifying and evaluating ESG topics within the environmental, social, and governance dimensions.

In addition, the framework integrated two complementary perspectives. The organizational perspective was represented by sustainability report disclosures, which were analyzed using content analysis to identify ESG material topics and their relative prominence. The stakeholder perspective was represented by external stakeholder perceptions gathered through interviews and questionnaires, which were analyzed using thematic analysis to identify and rank ESG topics by stakeholder emphasis and frequency of occurrence.

Moreover, the identified ESG topics were subsequently ranked and compared to assess the degree of alignment and divergence between sustainability report disclosures and stakeholder perceptions. This process enabled the identification of ESG topics that showed a high degree of alignment and the topics that revealed differences in priorities between the organization and stakeholders. Based on this comparison, ESG materiality was evaluated to assess whether the ESG topics disclosed by the organization reflect stakeholder priorities and expectations. Despite the structured framework presented above, several gaps remained in the existing literature regarding the evaluation of ESG materiality.

Previous studies have emphasized the importance of ESG materiality in sustainability reporting and highlighted the critical role of stakeholder engagement in the materiality assessment process. Existing research has shown that materiality assessments remain highly dependent on organizational judgment, stakeholder participation, and reporting practices, resulting in considerable variation in the identification and prioritization of material ESG topics (Garst et al., 2022; Wang et al., 2024). Furthermore, several studies have suggested that organizations and stakeholders may differ in their perceptions of material ESG issues, which can create inconsistencies between sustainability disclosures and stakeholder expectations (Jørgensen et al., 2022; Reimsbach et al., 2020; Xiao & Shailer, 2022). Research has also highlighted the importance of stakeholder participation in improving the quality and relevance of materiality assessments (Cerbone & Maroun, 2020), while concerns remain regarding the transparency of stakeholder involvement and materiality determination processes (Beske et al., 2020).

Despite these contributions, most prior studies have focused on materiality frameworks, disclosure practices, stakeholder engagement, or the conceptual development of ESG materiality (Garst et al., 2022; Huq, 2025; Wang et al., 2024). In the Indonesian context, the studies have reported variations in ESG materiality disclosures and materiality assessment practices, including inconsistencies in stakeholder involvement and transparency of materiality determination processes (Daromes et al., 2023; Putri et al., 2022). However, limited attention has been given to evaluating whether ESG topics disclosed as material by organizations are aligned with the issues perceived as important by external stakeholders. Consequently, empirical evidence on the alignment between sustainability disclosures and stakeholder perceptions remains limited.

However, this gap is particularly important in the banking industry, where ESG practices can shape stakeholder trust and perceptions of organizational legitimacy. Therefore, this study aims to evaluate ESG materiality by comparing sustainability report disclosures and external stakeholder perceptions to assess their alignment.

3. Research Method

A qualitative single-case study approach was used in this study to evaluate ESG materiality in a regional development bank. A case study design was selected because it enables an in-depth exploration of a contemporary phenomenon within its real-life context, particularly the alignment between ESG disclosures and external stakeholder perceptions (Creswell & Creswell, 2018). The case organization was a regional development bank, chosen for its strategic role in regional economic development and its consistent implementation of sustainability reporting practices under the Indonesian regulatory framework.

In addition, the study used both primary and secondary data sources. The secondary data were obtained from the bank's 2025 Sustainability Report, which was analyzed to identify ESG material topics disclosed by the organization. Then, the primary data were collected through semi-structured interviews and supporting questionnaires involving external stakeholders, including customers, local communities, MSME actors, borrowers, and local government representatives. Next, the participants were selected using purposive sampling to ensure that respondents had relevant experience and direct interaction with the bank and its activities.

To evaluate ESG materiality, the study adopted eleven ESG material topics synthesized from the sustainability reports of four major Indonesian banks categorized as KBMI 4 (Bank Mandiri, BCA, BRI, and BNI) and aligned with the GRI materiality framework (GRI, 2021). The synthesis process involved identifying, normalizing, and consolidating similar ESG topics disclosed by these banks into 11 ESG material categories covering environmental, social, and governance dimensions. These categories served as the analytical framework for comparing sustainability report disclosures and stakeholder perceptions.

Moreover, the data were analyzed using content analysis and thematic analysis. The content analysis was applied to the sustainability report to identify and categorize ESG topics disclosed by the bank (Guthrie & Abeysekera, 2006; Kassier, 2024). The use of content analysis enabled the systematic identification of material ESG topics and sustainability disclosures reported by the organization (Torelli et al., 2019). The thematic analysis was used to analyze the interview and questionnaire data in order to identify ESG topics perceived as important by external stakeholders. The NVivo 15 software was employed to support the data coding, categorization, and theme development. The frequency of coded references was used to indicate the relative emphasis of each ESG topic within both data sources.

Furthermore, the results of the content analysis and thematic analysis were subsequently synthesized and compared through an alignment and gap analysis. The ESG topics identified from the sustainability report and stakeholder data were ranked according to their relative prominence. The rankings from both sources were then compared to assess the degree of alignment and identify gaps in priorities. The smaller ranking differences indicated stronger alignment between organizational disclosures and stakeholders' perceptions, whereas the larger differences suggested the divergence in ESG priorities. This comparison enabled the evaluation of whether the ESG topics disclosed by the organization reflected stakeholder concerns and expectations.

4. Results and Discussion

4.1. ESG Material Topics Disclosed in the Sustainability Report

The analysis of the bank's 2025 sustainability report indicated that all eleven ESG material topics included in the analytical framework were disclosed by the organization. However, the intensity of disclosure varied across topics. Social and governance issues received greater attention than environmental issues. It suggested that the bank's sustainability strategy primarily focuses on social contributions, financial inclusion, customer service, and corporate governance.

The variation in disclosure intensity indicated that the bank's sustainability reporting was closely aligned with its role as a financial intermediary and regional development institution. Greater emphasis was placed on topics associated with economic development, stakeholder welfare, financial accessibility, and governance practices. This pattern suggested that the bank communicates sustainability primarily through its contribution to society and its commitment to responsible governance, while environmental issues received comparatively less emphasis within the overall sustainability disclosure.

Figure 2. Treemap of ESG Material Topic Disclosures in the Bank's Sustainability Report

Figure 2 shows the relative emphasis of ESG material topics disclosed in the bank's 2025 sustainability report. The size of each segment reflected the intensity of disclosure associated with each topic. Social and governance topics occupied a largest proportion of the disclosure, indicating their greater prominence within the sustainability report, while environmental topics received comparatively less emphasis.

Within the social dimension, the most prominent topics were community development and social responsibility, financial inclusion, access, and literacy, and customer service quality. Employee development and human resource management, as well as diversity, equity, inclusion, and human rights, were also disclosed, although with comparatively lower emphasis. These findings suggested that the bank places significant importance on its social role in supporting community welfare, expanding access to financial services, and maintaining service quality. Such a focus was consistent with the role of regional development banks, which were expected to contribute not only to financial performance but also to regional economic development and social inclusion.

Governance disclosures were primarily focused on good corporate governance (GCG) and risk management, followed by business ethics, anti-corruption and anti-fraud practices, and customer data protection and information security. The strong emphasis on governance-related topics reflected the importance of maintaining effective oversight, regulatory compliance, and sound risk management practices within the banking sector. These disclosures also indicated the bank's efforts to strengthen stakeholder trust and organizational accountability, both of which were essential for long-term sustainability.

Within the environmental dimension, disclosures were concentrated on sustainable finance and responsible financing, followed by green banking and environmental impact management. In contrast, climate change and climate risk received comparatively less attention. This pattern suggested that the bank's environmental commitment was primarily communicated through its financing activities and support for sustainable economic development rather than through direct environmental management initiatives. Such an emphasis reflected the characteristics of the banking industry, where environmental impacts were often indirect and mediated through lending and investment decisions.

Across all of the ESG dimensions, good corporate governance (GCG) and risk management emerged as the most prominently disclosed topics, reflecting the bank's strong emphasis on governance and risk oversight. Community development and social responsibility, financial inclusion and literacy, and sustainable finance and responsible financing also received substantial attention, indicating the bank's focus on supporting economic development, expanding access to financial services, and promoting responsible financing practices. Other topics, including customer service quality, green banking and environmental impact management, and business ethics, anti-corruption, and anti-fraud practices, were disclosed to a moderate extent. In contrast, employee development and human resource management, customer data protection and information security, diversity, equity, inclusion and human rights, and climate change and climate risk received comparatively less emphasis within the sustainability report.

Overall, the disclosure pattern indicated that the bank's sustainability strategy was strongly oriented toward governance strengthening, social development, and financial inclusion. Meanwhile the environmental considerations were mainly addressed through sustainable finance initiatives. This distribution of disclosures provided an initial indication of the ESG topics considered most significant by the organization and served as a basis for comparison with external stakeholder perceptions.

4.2. Stakeholders' Perceptions of ESG Materiality

The synthesis of interview and questionnaire data revealed that stakeholders also placed greater emphasis on social and governance issues than on environmental issues. Good corporate governance (GCG) and risk management, community development and social responsibility, financial inclusion and literacy, and sustainable finance and responsible financing emerged as the most prominent ESG topics from the stakeholder perspective.

This pattern indicated that stakeholders primarily associated the bank's sustainability performance with its ability to maintain sound governance, contribute to community welfare, expand access to financial services, and support sustainable economic development through responsible financing practices. As a regional development bank, the organization was expected to balance economic objectives with broader social and developmental responsibilities. Consequently, stakeholders tended to place greater importance on ESG issues that directly influence public trust, financial accessibility, and regional development outcomes. Although environmental issues generally received less attention, sustainable finance remained highly prominent, suggesting that stakeholders perceive the bank's environmental contribution mainly through its financing decisions rather than through its direct operational impacts.

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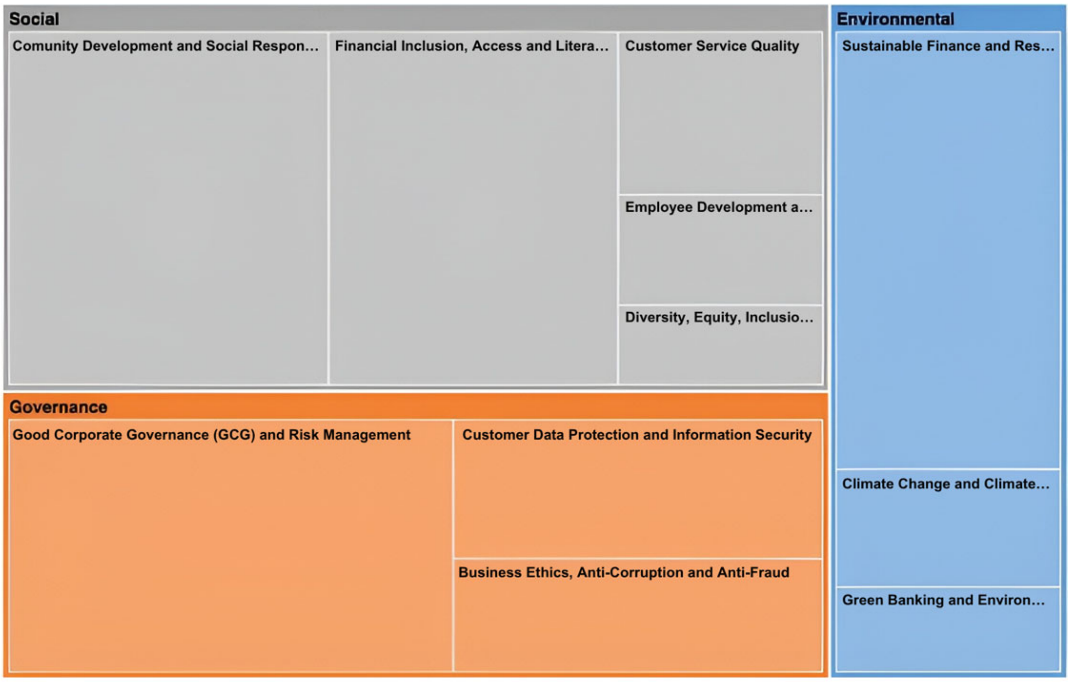

Figure 3. Treemap of ESG Material Topics Based on External Stakeholder Perceptions

Figure 3 shows the relative importance of ESG topics based on external stakeholders' perceptions derived from interview and questionnaire data. The size of each segment reflected the frequency and emphasis of themes identified through the thematic analysis. Governance and social topics received the greatest attention, particularly good corporate governance (GCG) and risk management, community development and social responsibility, and financial inclusion and literacy. Sustainable finance and responsible financing also emerged as a highly prominent topic from the stakeholder perspective. Following these topics, customer data protection and information security received considerable attention, reflecting increasing stakeholder concern regarding cybersecurity risks, digital banking services, and data privacy. In contrast, environmental topics generally received comparatively less attention, although stakeholders continued to recognize the importance of the bank's role in promoting sustainable financing practices.

In fact, stakeholders perceived the bank not only as a financial intermediary but also as an institution that contributed to regional economic development and social welfare. Consequently, stakeholders tended to prioritize ESG issues related to community welfare, financial inclusion, governance quality, and organizational trust. Community development and social responsibility, together with financial inclusion and literacy, emerged as the most prominent social topics. These findings suggested that stakeholders assessed the bank's sustainability performance not only in terms of business outcomes but also in terms of its contribution to improving community welfare and expanding access to financial services. As a regional development bank, the organization was expected to play a broader role in supporting regional economic development and social inclusion.

Clearly, the prominence of these social topics indicated that stakeholders placed substantial importance on ESG issues that contributed directly to social and economic development. Customer service quality also received considerable attention. It suggested that stakeholders viewed the service quality not only as a measure of customer satisfaction but also as an indicator of the organization's ability to maintain long-term relationships and respond effectively to stakeholder needs.

In addition, governance-related issues received substantial attention from stakeholders. Good corporate governance (GCG) and risk management emerged as dominant governance themes. This result indicated that stakeholders viewed governance as a foundation for organizational sustainability. Transparency, accountability, regulatory compliance, and business integrity were perceived as important factors influencing stakeholder trust in the organization. This finding was consistent with Xiao and Shailer (2022), who argued that stakeholders tend to prioritize issues that affect their interests and confidence in organizations.

Moreover, customer data protection and information security were considered highly important due to increasing concerns regarding digital banking risks and cybersecurity incidents. These issues emerged consistently across both interview and questionnaire responses. This result suggested that stakeholders increasingly associated organizational reliability with the security of digital banking services. In this context, the information security was perceived not merely as a technical issue but as a critical factor influencing stakeholder confidence and trust.

Furthermore, environmental issues received relatively less attention from stakeholders. However, sustainable finance and responsible financing were viewed as important because stakeholders associated the bank's environmental contribution with its financing decisions rather than with its direct operational impacts. Climate change and green banking initiatives were generally perceived as less relevant to their day-to-day interactions with the bank. This finding suggested that stakeholders primarily evaluated the bank's environmental role through its influence on economic activities and financing practices rather than through operational environmental performance.

Overall, the findings indicated that external stakeholders primarily prioritized ESG issues related to governance quality, community development, financial inclusion, sustainable finance, and organizational trust. In contrast, environmental issues tended to receive less attention unless they were linked to the bank's financing activities. These stakeholder perceptions provided an important basis for assessing the extent to which the ESG topics disclosed in the sustainability report align with stakeholder priorities.

4.3. Alignment and Gaps between ESG Disclosure and Stakeholders' Perceptions

The comparison between sustainability report disclosures and stakeholder perceptions revealed varying degrees of consistency across the eleven ESG material topics. The analysis identified topics that were prioritized similarly by both the organization and stakeholders, as well as the topics that showed differences in relative importance. These findings provided a basis for evaluating the extent to which the ESG material topics disclosed by the organization reflect stakeholder expectations and concerns.

Table 1 shows the comparison of ESG material topic priorities between the sustainability report and stakeholder perceptions. The analysis was conducted by comparing the relative positions of ESG topics from both perspectives and calculating the ranking gap, defined as the absolute difference between the sustainability report rank and the stakeholder rank for each ESG topic. The smaller ranking gaps indicated stronger alignment between organizational disclosures and stakeholder priorities, whereas the larger gaps indicated greater differences in emphasis and perceived importance.

Table 1. Alignment and Gap of ESG Material Topics

Dimension	ESG Material Topic	Sustainability Report Rank	Stakeholders' Perceptions Rank	Gap
Environmental	Sustainable Finance and Responsible Financing	4	4	0
	Green Banking and Environmental Impact Management	6	10	4
	Climate Change and Climate Risk	11	8	3
Social	Financial Inclusion and Literacy	3	3	0
	Community Development and Social Responsibility	2	2	0
	Customer Service Quality	5	7	2
	Employee Development and Human Resource Management	8	9	1
	Diversity, Equity, Inclusion and Human Rights	10	11	1
Governance	Good Corporate Governance (GCG) and Risk Management	1	1	0
	Customer Data Protection and Information Security	9	5	4
	Business Ethics, Anti-Corruption, and Anti-Fraud	7	6	1

Source: Prepared by the authors

As shown in Table 1, the comparison between sustainability report disclosures and stakeholder perceptions revealed varying degrees of alignment across the eleven ESG material topics. Several topics occupied identical positions in both perspectives, indicating a strong consistency between organizational disclosures and stakeholder priorities. These topics included good corporate governance (GCG) and risk management, community development and social responsibility, financial inclusion and literacy, and sustainable finance and responsible financing. The consistency observed across these topics suggested that the bank's materiality assessment successfully captures issues considered important by both the organization and external stakeholders. As a regional development bank, the organization's role in supporting economic development, expanding financial access, promoting responsible financing, and maintaining sound governance practices appeared to be recognized by both parties.

Several other ESG topics also showed the close alignment. Business ethics, anti-corruption, and anti-fraud practices, employee development and human resource management, and diversity, equity, inclusion, and human rights differed by only one ranking position between the sustainability report and stakeholder perceptions. Although the degree of emphasis varied slightly, these findings indicated that both the organization and stakeholders generally share similar views regarding the importance of these issues in supporting long-term organizational sustainability.

However, the differences in priorities became more evident for several topics. The customer service quality showed a ranking gap of two positions, while climate change and climate risk exhibited a ranking gap of three positions. The largest differences were identified for green banking and environmental impact management, as well as the customer data protection and information security, both of which showed a ranking gap of four positions. Green banking received greater emphasis in the sustainability report than in stakeholder perceptions, suggesting that the organization placed strategic importance on environmental initiatives that might be less visible to external stakeholders. Conversely, the customer data protection and information security received substantially greater attention from stakeholders than from the sustainability report. This finding might reflect growing concerns regarding cybersecurity risks, digital banking services, and data privacy in the banking sector.

The prominence of customer data protection and information security from the stakeholder perspective suggested that stakeholders increasingly associated organizational reliability with the security of digital banking services. In this context, information security was viewed not only as a technical issue but also as an important factor influencing trust, confidence, and organizational credibility. Meanwhile, the differences observed for environmental topics indicated that stakeholders tended to evaluate the bank's environmental contribution primarily through its financing activities rather than through broader environmental management initiatives.

These findings supported Stakeholder Theory, which argued that organizations should consider stakeholder interests and expectations when determining priorities and making decisions. The substantial alignment observed across many ESG material topics suggested that the bank had generally identified and disclosed issues that reflect stakeholder priorities. This finding was consistent with Cerbone & Maroun (2020) who emphasized that stakeholder engagement can improve the relevance and quality of materiality assessments.

According to Legitimacy Theory, sustainability reporting functioned as a mechanism through which organizations communicated their commitment to issues considered important by society and stakeholders. The strong consistency observed across several ESG topics indicated that the bank's sustainability disclosures generally supported organizational legitimacy by addressing stakeholder concerns. However, the larger ranking gaps identified for customer data protection and information security, green banking, and climate-related issues suggested opportunities to strengthen stakeholder engagement and improve communication regarding these topics (Beske et al., 2020).

Overall, the findings indicated that the bank's ESG disclosures generally reflected stakeholder priorities. Nevertheless, differences in emphasis remained evident for several topics, particularly those related to information security and environmental initiatives. These results highlighted the importance of continuously evaluating ESG materiality and

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incorporating stakeholder perspectives to enhance the relevance, transparency, and credibility of sustainability reporting.

5. Conclusions, Implications, and Limitations

This study evaluated ESG materiality in a regional development bank by comparing ESG topics disclosed in the sustainability report with the perceptions of external stakeholders. The findings indicated that ESG disclosures in the sustainability report were primarily dominated by social and governance topics, followed by environmental topics. The most prominent topics included good corporate governance (GCG) and risk management, community development and social responsibility, financial inclusion and literacy, and sustainable finance and responsible financing. These findings suggested that the organization placed significant emphasis on governance strengthening, social contribution, and expanding access to financial services within its sustainability strategy.

The findings from interviews and questionnaires revealed that external stakeholders also prioritized governance and social issues, followed by environmental issues. In addition to the topics emphasized by the organization, stakeholders placed relatively high importance on customer data protection and information security. This finding indicated that data security and the reliability of banking services have become increasingly important concerns for external stakeholders.

The evaluation results revealed that most ESG material topics showed relatively consistent priorities between the organization and external stakeholders. The alignment was observed for good corporate governance (GCG) and risk management, community development and social responsibility, financial inclusion and literacy, sustainable finance and responsible financing, business ethics, anti-corruption and anti-fraud practices, employee development and human resource management, and diversity, equity, inclusion and human rights. These findings indicated that the ESG topics disclosed by the organization generally reflected issues considered important by stakeholders.

Nevertheless, differences in priorities were identified for several topics, including customer service quality, climate change and climate risk, green banking and environmental impact management, and customer data protection and information security. These findings suggested that although the organization had generally identified ESG issues relevant to stakeholders, several topics still required greater attention and communication within sustainability reporting.

This study contributed to the ESG materiality literature by highlighting the importance of incorporating both organizational and stakeholder perspectives in the evaluation of material topics. By comparing sustainability report disclosures with stakeholder perceptions, the study provided evidence regarding the extent to which disclosed ESG topics aligned with stakeholder priorities. The findings supported Stakeholder Theory by emphasizing the importance of stakeholder expectations in materiality assessments and supported Legitimacy Theory by showing the role of sustainability reporting in maintaining organizational legitimacy and stakeholder trust. From a practical perspective, the findings suggested that organizations should strengthen stakeholder engagement throughout the materiality assessment process and continuously evaluate whether disclosed ESG topics remain aligned with stakeholder expectations.

Nevertheless, this study has several limitations. *First*, the findings were based on a single regional development bank, limiting the generalizability of the results to other banking institutions. *Second,* the study focused on sustainability report disclosures and external stakeholder perceptions and did not examine the internal materiality assessment process or the implementation of ESG initiatives within the organization. *Third*, the analysis was based on a single reporting period, limiting the ability to assess changes in ESG materiality priorities over time. Thus, future research could expand the scope of analysis to multiple banking institutions, incorporate a broader range of stakeholder groups, and examine sustainability reports across multiple reporting periods to provide a more comprehensive understanding of ESG materiality and stakeholder-oriented sustainability reporting.

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Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this article.

Data Availability Statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

Author Contributions

Dhevita Aufa Athary Vatsala (Author 1) was responsible for designing the study, conducting the research, analyzing the data, and drafting the main manuscript.

Tubagus Muhamad Yusuf Khudri (Author 2) acted as the supervisor, providing conceptual guidance, reviewing the manuscript, and offering critical feedback to refine the methodology and interpretation of the results.

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