

A NEW METRIC FOR ASSESSING THE “S” DIMENSION IN ENVIRONMENT, SOCIAL, GOVERNANCE (ESG) FOR REAL ESTATE



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Abstract

The Environmental, Social, and Governance (ESG) framework has become a central benchmark for assessing corporate sustainability, particularly in the real estate sector. However, the Environmental (E) dimension continues to dominate both measurement and reporting practices, while the Social (S) dimension remains underdeveloped due to the lack of standardized and impact-oriented metrics. This study aims to examine the role of the social dimension in ESG and its implications for sustainability accounting practices in the Indonesian real estate finance sector. Using a quantitative descriptive-explanatory approach, the study analyzes corporate sustainability reports and applies content analysis to evaluate the extent to which social aspects are disclosed and measured. The findings reveal that although companies have increasingly adopted social initiatives such as diversity, employee well-being, and community engagement, these efforts are largely activity-based and disclosure-oriented, rather than focused on measurable social impact. Furthermore, ESG assessments are still predominantly based on aggregate scores, which obscure the specific contribution of the social dimension. This study identifies a critical gap in existing ESG measurement frameworks and proposes the need for developing new, impact-based, and context-specific social metrics. Such metrics are essential to enhance the accuracy, transparency, and practical relevance of ESG evaluations, particularly in the real estate sector, where social interactions and community impacts are highly significant.

Keywords: ESG, Social Dimension, Sustainability Accounting, Real Estate Sector, Social Metrics, Corporate Sustainability

INTRODUCTION

In recent years, the concept of Environmental, Social, and Governance (ESG) has become a key benchmark for assessing corporate sustainability. However, while the Environmental (E) dimension has often been the primary focus, the Social (S) dimension is now increasingly gaining importance (Newell, 2023). The Social dimension encompasses issues such as gender equality, cultural diversity, employee well-being, supply chain management, and community engagement. In the real estate sector, social aspects are not only a moral responsibility but also directly impact a company's reputation, investor loyalty, and market competitiveness (Newell & Marzuki, 2024).

Companies have focused attention on their social impact, driven not only by political attitudes but also by greater demands from customers, investors, and employees to address fundamental social challenges. The importance of social responsibility as part of corporate ESG (Deloitte, 2021), driven in part by changing consumer attitudes combined with greater attention to social issues in general, is growing. Furthermore, declining investor demand coupled with regulatory pressure has made companies more aware of their social focus. A younger workforce is also driving this change (Newell & Marzuki, 2024). With increasing external and internal pressures, companies are faced with the need to not only symbolically comply with social obligations but also to truly integrate social dimensions into their business practices and sustainability accounting reporting (Palm, 2025). This requires a shift in approach, where accounting systems focus not only on financial and environmental aspects but also on recording, measuring, and reporting a company's social contributions in a transparent and relevant manner. In other words, the role of sustainability accounting in the real estate sector is increasingly important. Social aspects are increasingly expanding to encompass responsibility for increasingly complex stakeholder expectations and to ensure long-term business sustainability.

Graeme Newell's research demonstrates the importance of strengthening social metrics in financial sector sustainability reporting (Newell, 2023). Newell emphasizes the importance of strategic implementation of social dimensions by real estate industry players, including the need to develop more comprehensive metrics to ensure effective measurement and validation. Best practices from real estate companies. Australian ESG initiatives demonstrate that serious attention to social aspects can support business sustainability and enhance industry competitiveness. However, the success of ESG implementation does not solely depend on a company's internal strategy.

Research conducted by the father discusses the importance of sustainability in the real estate sector. In Sweden, the property sector accounts for nearly a quarter of carbon emissions and more than a third of energy consumption. With increasing awareness of climate change, sustainability is key to creating long-term value and reducing environmental impact. Increasingly visible climate changes, such as flooding and extreme weather, can impact the attractiveness of certain locations and potentially damage property values. Research shows that these risks are already impacting property prices and are expected to become even more significant in the future. Furthermore, environmentally certified green buildings tend to command higher values due to lower operating costs, higher rental income, and better financing opportunities (Palm, 2025).

The study, "Which ESG+F Dimensions Are Most Important to Retail Investors?", shows that retail investors' perceptions and preferences also play a significant role in influencing ESG-based investment decisions. Through an experimental approach, the study found that investors are increasingly concerned about the social impact of their investments, including their concern for future generations. The study also revealed that retail investors tend to prefer companies that demonstrate a clear commitment to sustainability and social responsibility. They increasingly seek transparent information about companies' ESG practices, which influences their investment decisions. Furthermore, awareness of issues such as climate change, social inequality, and human rights is increasingly encouraging investors to choose portfolios that align with corporate values (Benuzzi et al., 2024).

Newell & Marzuki's research provides an effective framework for organizations to explain their environmental, social, and governance activities to all stakeholders, which informs investment decision-making. The "E" dimension has received the most attention, particularly in relation to climate change risk management, such as zero-carbon strategies and energy efficiency. On the other hand, the "S" dimension is also important but has received less attention due to the lack of clear metrics to measure it, including in the financial and real estate sectors. The authors emphasize the importance of the "S" dimension in ESG, noting that this dimension encompasses important issues such as gender equality, cultural diversity, staff health and well-being, and community engagement.

These findings broaden the perspective, demonstrating that the social aspects of ESG are not only an internal management tool but also a crucial factor in attracting capital and maintaining a company's reputation among investors. This study aims to empirically examine how the role of the social dimension in ESG influences sustainability accounting practices in the Indonesian real estate finance sector.

REVIEW OF LITERATURE

The development of the Environmental, Social, and Governance (ESG) concept demonstrates a paradigm shift from simply sustainability reporting to strategic integration in corporate decision-making. Wibowo & Kom (2025) emphasize that the use of Artificial Intelligence (AI) and Machine Learning (ML) can improve the accuracy of ESG analysis, particularly in processing complex non-financial data. However, while technology can enhance measurement, fundamental issues remain in the definition and operationalization of indicators, particularly regarding the social dimension, which tends to be abstract. This is in line with Nurmasari et al. (2025) who stated that ESG has become part of corporate sustainability strategies, but its implementation still faces challenges in standardizing indicators, particularly for contextual and difficult-to-quantify social aspects.

In practice, ESG measurement is still dominated by aggregate index approaches such as the Carbon Disclosure Project (CDP) (Gunawan & Gunawan, 2023) and reporting standards such as the Global Reporting Initiative (GRI) (Nagu, 2021). While both approaches provide a systematic framework, they tend to focus on disclosure rather than impact. As a result, the social dimension is often reduced to administrative indicators, such as the number of CSR programs or reporting levels, without capturing the quality of social interactions, the impact on local communities, or long-term social sustainability. This limitation is even more

significant in the property sector, which inherently has a high intensity of social interactions and a direct impact on the social fabric of society.

Several empirical studies have shown a positive relationship between ESG performance and corporate financial performance. Amlayasa & Pramuki (2025) and Nurmalasari & Kirana (2024) found that ESG contributes to improved financial performance and firm value. However, these findings generally used aggregate ESG scores, thus failing to identify the specific contribution of each dimension, particularly the social dimension. Anisa (2025) also showed that ESG disclosure increases corporate value through transparency, but did not explain whether the social dimension has a more dominant influence than the other dimensions. Thus, there is a limitation in the literature that has not been able to isolate and thoroughly evaluate the role of the "S" dimension.

Furthermore, research on the implications of ESG for financial performance shows relatively consistent but general results. Fitri (2025) found that strong ESG performance can lower the cost of debt, while Hafiz Wahyu (2026) demonstrated the influence of ESG on underpricing levels in IPO companies. Mubarok and Widianingsih (2025) also confirmed that ESG influences corporate sustainability assessments. However, all these studies again position ESG as a composite variable, thus failing to provide sufficient understanding of how the social dimension specifically influences risk perception, investor trust, or corporate social legitimacy.

This gap in the literature indicates that the social dimension within ESG remains ambiguous: recognized as conceptually important, but not yet adequately measured empirically. Yet, in the property sector, the "S" dimension possesses unique and crucial characteristics, such as access to adequate housing, development inclusiveness, relationships with affected communities, and contributions to social welfare. The inability of existing metrics to capture this complexity has the potential to create bias in ESG assessments, where companies with good social reporting do not necessarily have significant social impact.

Therefore, the development of new metrics that are not solely based on disclosure but also capable of measuring social impact in a more substantive (impact-oriented), contextual, and measurable manner is needed. These metrics are expected to fill gaps in the literature and provide a practical contribution to improving the accuracy of ESG assessments, particularly in the property sector, which is a crucial juncture between economic development and social justice.

RESEARCH METHOD

This study used a quantitative approach with a descriptive-explanatory design. Data were collected from corporate sustainability reports of large companies in Indonesia that have adopted ESG principles. Furthermore, content analysis was conducted to identify the extent to which social dimensions are reflected in the reporting. Social metrics were assessed by adapting a metrics model developed by Newell (2023), which includes indicators such as the proportion of women in management positions, cultural diversity, employee wellness programs, community engagement, and supply chain management. Secondary data sources were obtained from company annual reports, sustainability reports, or published ESG reports. Benchmarking analysis was conducted to compare Indonesian practices with best practices from Australia and other countries.

RESULTS AND DISCUSSION

The focus on the "E" dimension of ESG in the real estate industry has driven the development of various environmental metrics and reporting frameworks such as GRESB, MSCI, LEED, BREEAM, and Green Star (Newell, 2023). Real estate companies in regions such as Australia, Europe, Singapore, and the United States have actively adopted these standards to demonstrate their sustainability commitment through increasingly comprehensive reports. However, the dominance of this environmental dimension has indirectly created a disparity in attention to the "S" dimension, which, while crucial, tends to be positioned as a supplement. This aligns with the view of Wibowo & Kom (2025), who emphasize that while technologies such as AI and ML can improve the accuracy of ESG analysis, the quality of measurement remains highly dependent on the clarity of indicators, while the social dimension remains underdeveloped.

Nevertheless, developments in the social dimension are beginning to show positive results. Real estate companies have initiated various programs related to diversity, employee well-being, customer satisfaction, and community engagement. For example, Australian companies such as Stockland and Dexu have developed programs addressing gender equality, cultural diversity, and staff well-being (Newell & Marzuki, 2024). This practice aligns with the concept of ESG as an integrated corporate sustainability strategy, as emphasized by Nurmasari et al. (2025). However, it should be noted that most of these initiatives are still activity-based and disclosure-based, not fully addressing concrete social impact measurement (impact-based).

This limitation is increasingly apparent in property valuation practices. Pater's findings indicate that the integration of sustainability aspects into the valuation process is highly dependent on client demand, particularly financial institutions. Although appraisers consider risks in their daily practices, these aspects are rarely documented in formal reports, except in cases of extreme risks such as flooding. This indicates a gap between practice and reporting. Appraisers also tend to rely on easily measurable indicators such as environmental certification, despite the recognition that such certification does not always reflect overall sustainability. This finding is consistent with Gunawan & Gunawan (2023) and Nagu (2021), who criticized index- and disclosure-based approaches such as CDP and GRI for not being able to substantively capture ESG dimensions, particularly social aspects.

Furthermore, a study by Palm (2025) showed that certified properties have higher market appeal and the potential for increased rental value. However, this increase in value is more associated with environmental attributes than social aspects. This reinforces the indication that the "S" dimension has not yet been internalized in the property value formation mechanism. Yet, empirical research shows that ESG, as a whole, has a significant influence on financial performance and company value (Amlayasa & Pramuki, 2025; Nurmalasari & Kirana, 2024; Sanulika & Oktiani, 2024). Unfortunately, the use of aggregate ESG scores in these studies leaves the specific contribution of the social dimension unclear.

Furthermore, the social dimension actually encompasses a broad range of industry practices, including workforce inclusivity, community support, supply chain issues, and employee mental well-being (Hossain et al., 2023; Newell, 2023). In fact, in a financial context, ESG has been shown to influence the cost of debt and investor risk perceptions (Hafiz Wahyu, 2026), as well as corporate sustainability assessments (Mubarak &

Widianingsih, 2025). However, again, all these findings are still aggregated and do not provide an in-depth explanation of how the social dimension specifically contributes to these outcomes.

Thus, it can be concluded that there is a significant gap in the literature, namely the dominance of ESG measurement approaches that still focus on the environmental dimension and the use of aggregate indicators, thereby obscuring the role of the social dimension. In the property sector, this condition is even more crucial given the high interaction between development projects and communities. Therefore, the development of new metrics that can measure the "S" dimension more specifically, contextually, and impact-based. These metrics are expected to not only complement existing ESG frameworks but also improve the accuracy of sustainability assessments and their practical relevance in the property sector.

CONCLUSION

The real estate sector is undergoing a significant transition towards more effective implementation of ESG (Environmental, Social, and Governance) practices, with an increased focus on the Social (S) dimension. This S dimension is becoming increasingly important for all businesses, including real estate investors, with attention to issues such as gender equality, cultural diversity, staff wellness, supply chain management, human rights, and community engagement. To achieve this, the development and validation of new metrics for the S dimension is crucial to enable industry players to better manage these aspects, including independent assessments of S performance equivalent to the validation conducted on the Environmental (E) dimension. Standardizing S metrics within a 0-1 range allows for benchmarking comparisons over time and across sectors within the real estate industry, for both internal and external benchmarking purposes. More S metrics and independent assessments are needed to ensure a comprehensive evaluation of all S activities, which is critical for industry progress and alignment with ESG goals. The real estate industry should complement S metrics with a clear ESG strategy, emphasizing that the overall strategy plays a critical role in delivering improvements over time. Creating an inclusive workplace will reflect and leverage the diversity that exists within the organization and community. Furthermore, there are research opportunities for academics to develop additional S-metrics by leveraging data from ESG reports, thereby increasing the depth and integrity of available S-metrics. The relevance of S-metrics also extends to other industry sectors, demonstrating their value in elevating the importance of S-dimensions across industries by offering a standardized tool for assessing and improving social aspects of a company's operations.

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