

Corporate Compliance with ESG (Environmental, Social, and Governance): Perspectives on Business Law and Good Corporate Governance (GCG)

Hendri M Polontoh¹, Taquuddin Kadir²

Universitas Cenderawasih Papua, Indonesia¹ Universitas Jayabaya, Indonesia²

Received: June 02, 2025

Revised: June 22, 2025

Accepted: June 25, 2025

Published: June 30, 2025

Corresponding Author:

Author Name : Herry M Polontoh

Email : 88mherry@gmail.com

Abstract: *This study examines the urgency of integrating Environmental, Social, and Governance (ESG) principles into Indonesia's business law framework in response to global demands for sustainable corporate practices. Through a normative juridical approach, this study analyzes the disharmony of national regulations, especially between Law No. 40 of 2007 concerning Limited Liability Companies, Law No. 32 of 2009 concerning Environmental Protection and Management, and sectoral regulations from the OJK such as POJK No. 51/POJK.03/2017. The results of the study show that although ESG principles are beginning to be accommodated in some legal instruments, they are still administrative, sectoral, and do not have a strong binding force judicially. This has an impact on weak corporate accountability in carrying out environmental and social responsibility as part of Good Corporate Governance (GCG). This research emphasizes the importance of ESG codification as a positive legal norm that can be enforced through the supervision and accountability mechanism of the board of directors. Comparative studies with practices in the European Union and OECD show that the successful implementation of ESG is highly dependent on the existence of prescriptive norms and integrated monitoring systems. Therefore, the reformulation of Indonesian corporate law is crucial to realize inclusive, sustainable, and accountable business governance.*

Keywords: GCG; Business-Law; ESG-Compliance.

INTRODUCTION

The global demand for sustainable business practices through ESG (Environmental, Social, and Governance) principles has intensified after the agreement of the 2030 Agenda by the United Nations which includes the Sustainable Development Goals (SDGs). In the context of international business law, ESG has transformed from a voluntary ethical norm to an increasingly normative compliance parameter in cross-border transactions, particularly through capital market legal mechanisms and trade agreements. The World Economic Forum report (2023) even emphasizes that ESG is no longer a moral choice, but has become a strategic and legal imperative, especially in terms of disclosure and due diligence. As such, ESG principles are now being adopted by various jurisdictions through domestic regulations that require sustainability disclosures in companies' annual reports, such as the EU Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR).

From a business law perspective, a company's failure to respond to ESG demands can be interpreted as a form of legal negligence in fulfilling the prudential principle and fiduciary duty, especially for public companies and issuers. This provision began to be considered in corporate decision-making practices, where environmental and social aspects became part of the assessment of material risks that affected the sustainability of the business and the value of the shares. In Indonesia, although the ESG principle has not been explicitly stated in a specific legal instrument, the obligation to pay attention to environmental and social aspects has been contained in a number of sectoral regulations such as Law No. 40 of 2007 concerning Limited Liability Companies and POJK No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance.¹ With these developments, it is undeniable that the disregard of ESG principles will have consequences not only reputationally, but also legally, both in authoritative supervisory forums and in civil lawsuits and the liability of the board of directors for corporate losses.

Harmonization between ESG principles and Good Corporate Governance (GCG) principles is inevitable in the formation of an accountable and sustainable corporate legal system. Normatively, GCG refers to the principles of transparency, accountability, responsibility, independence, and fairness as stipulated in the GCG General Guidelines version of the National Governance Policy Committee (KNKG)². Meanwhile, ESG details the form of responsibility in three domains: environmental sustainability, protection of social rights, and strengthening governance. From a business law perspective, ESG can be seen as an instrument for the operationalization of GCG principles, so that the disharmony between the two will weaken the overall corporate supervision and compliance system. This is in line with the OECD's view in the *G20/OECD Principles of Corporate Governance* document (2015), which affirms that environmental and social sustainability aspects are an integral part of modern corporate governance that must be legally addressed by each jurisdiction.

In Indonesia, the absence of norms that explicitly integrate ESG into GCG tools creates interpretive inequalities in business practices. When GCG is still treated as an ethical guideline without binding legal sanctions, and ESG is only considered as a complementary component of sustainability reporting, corporate oversight and accountability are weakened. In fact, in modern corporate law, GCG principles must be supported by ESG tools that are prescriptive, not just declarative. The provisions in Law No. 40 of 2007 Article 74 concerning Social and Environmental Responsibility (TJSL), although progressive, only apply

¹ Al Ghiffary, M. (2025). URGENSI PEMBENTUKAN PERATURAN PELAKSANA INVESTASI BERBASIS ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) DALAM HUKUM INVESTASI INDONESIA. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 12(12), 81-90.

² Nimasari, D. A., & Sari, P. P. (2025). ETHICAL DYNAMICS IN CORPORATE GOVERNANCE: A GLOBAL PERSPECTIVE ON CORPORATE GOVERNANCE PRACTICES. *Integrative Perspectives Of Social And Science Journal*, 2(2 Maret), 1667-1672.

to companies that carry out their business activities in the field and/or related to natural resources.³ This poses a juridical problem because ESG principles should be cross-sectoral and inherent in all business entities as a form of fulfilling the principle of *corporate responsibility*. Therefore, the urgency of reformulating legal norms that explicitly integrate ESG into the GCG legal framework is important to ensure substantive compliance, not just an administrative formality.

The absence of legal norms that explicitly and comprehensively regulate ESG obligations in the Indonesian legal system leads to a gap between normative aspirations and implementive reality. Law No. 32 of 2009 concerning Environmental Protection and Management (PPLH Law) actually contains various substantive provisions that are in accordance with *the Environmental pillar* in ESG, such as the principle of state responsibility, corporate responsibility, and the principle of prudence in environmental management. However, in practice, corporate obligations for environmental protection are often reduced to administrative formalities, such as EIA documents, without effective law enforcement. The provisions of Article 69 paragraph (1) letter a of the PPLH Law which prohibits environmental destruction, as well as the provisions of environmental crimes in Articles 98 to 103, show that environmental damage due to corporate negligence can be subject to criminal liability. However, the weak application of *the strict liability* principle and the limited administrative supervision capacity of environmental agencies are the main factors that hinder the effective enforcement of ESG principles.⁴

Furthermore, when ESG obligations are not systematically integrated into the national corporate legal structure, there is a disparity between environmental norms and business law norms. In fact, Article 68 of the PPLH Law has stipulated that everyone, including business entities, is obliged to maintain the preservation of environmental functions and prevent pollution or destruction. In the context of ESG, this must be interpreted as a corporate legal obligation that is *proactive in nature*, not just a response to violations. Unfortunately, this regulation has not been directly linked to the corporate performance assessment system or the Good Corporate Governance (GCG) monitoring mechanism, so that the fulfillment of environmental aspects is often not measured juridically or operationally. This emphasizes the need for an integrative legal approach, namely linking environmental law instruments such as Law No. 32 of 2009 into the corporate and financial legal framework, such as the Limited Liability Company Law and OJK regulations. Without a unified legal framework, ESG principles will remain on a rhetorical level, while business practices remain purely profit-oriented without considering sustainability and broader legal responsibilities.

The legal implications of non-compliance with ESG principles are increasingly evident in global corporate practices, where capital market legal instruments and director's liability are tools to measure the extent to which management has carried out its duties with due diligence and responsibility for non-financial risks.

³ Nyimas, M. S. (2025). PENGARUH ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) DISCLOSURE TERHADAP NILAI PERUSAHAAN (Studi Empiris Pada Perusahaan Tambang Yang Terdaftar Di BEI Periode 2016-2022).

⁴ Al Fajri, R. (2025). Facing Legal Uncertainty: Challenges Of Corporate Law And Environmental Regulation For Sustainable Business Practices In Indonesia. *Journal Of Social Research*, 4(4), 726-734.

In this context, ESG is not only a moral framework, but a legal indicator of omissions in strategic risk management. For example, in American and European jurisdictions, shareholder lawsuits against management that failed to disclose or anticipate climate risks or social risks that significantly impacted a company's performance set an important precedent in expanding the scope of fiduciary duty (see *ClientEarth v. Shell plc Directors*, High Court of Justice, UK, 2023). A similar context should be built in Indonesia, by placing ESG as part of the principle of legal prudence inherent in the company's organs in accordance with Article 97 paragraph (3) of Law No. 40 of 2007, which states that the board of directors can be held accountable for negligence that causes losses to the company.

In the national context, the approach to ESG is still predominantly administrative and has not fully entered the dimension of *justiciable obligations*, which can be tested in court or used as a basis for the imposition of legal sanctions. This creates a regulatory gap, where the provisions in Law No. 32 of 2009 concerning Environmental Protection and Management have contained the concept of corporate legal responsibility for the environment, but have not been fully integrated in the corporate supervision norms regulated by the Financial Services Authority (OJK) and the Limited Liability Company Law. In fact, in accordance with the principle of *polluter pays* and the *precautionary principle* which is a principle in international environmental law and has been adopted in Article 2 letters h and i of the PPLH Law, every company must mitigate the potential for environmental damage before losses arise. When these principles are not directly linked to the corporate governance structure and the responsibilities of the company's organs, then ESG compliance will remain normative without binding legal effectiveness. Therefore, legal reform is needed that makes ESG an instrument for enforcing corporate legal responsibility that is cross-sectoral and can be legally accounted for in every line of business.⁵

METHOD

This research uses a normative juridical method, which is an approach that focuses on the study of applicable legal norms as a basis for analyzing legal issues related to ESG obligations in corporate governance structures. Normative research aims to examine and understand how the law should apply (*das sollen*), not how the law is practiced in empirical reality (*das sein*), so that the entire analysis process relies on primary and secondary legal materials that are textual and conceptual.⁶

As explained by Peter Mahmud Marzuki, normative legal research is a method that focuses on the study of legal materials as the main object of study, by interpreting and constructing applicable laws to answer certain legal issues.⁷ According to Marzuki, this approach is prescriptive because it aims not only to describe the law, but also to provide normative arguments for the validity of a legal action or act in the legal system

⁵ Dwianto, A., Hidayat, M., Setyowati, R. D. E., Triyantoro, A., & Judijanto, L. (2023). Praktik Bisnis Berkelanjutan: Mengevaluasi Kinerja Keuangan Perusahaan Dengan Pertimbangan Environmental, Social, And Governance (ESG). *Jurnal Cahaya Mandalika ISSN 2721-4796 (Online)*, 3(2), 1963-1969.

⁶ Novea Elysa Wardhani, Sepriano, And Reni Sinta Yani, *Metodologi Penelitian Bidang Hukum* (Jambi: PT. Sonpedia Publishing Indonesia., 2025).

⁷ Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana Prenada Media Group, 2011).

adopted.⁸ Meanwhile, Soerjono Soekanto and Sri Mamudji stated that normative legal research includes research on legal principles, legal systematics, legal synchronization, legal history, and comparative law.⁹ This method is carried out by examining primary legal materials such as laws and regulations, including Law No. 40 of 2007 concerning Limited Liability Companies, Law No. 32 of 2009 concerning Environmental Protection and Management, as well as sectoral regulations from the OJK such as POJK No. 51/POJK.03/2017 concerning Sustainable Finance. In addition, secondary legal materials such as academic literature, expert opinions, jurisprudence, and international documents such as the OECD Principles of Corporate Governance and the EU Corporate Sustainability Reporting Directive (CSRD) are also used as comparisons.

The approaches used include a statute approach, a conceptual approach, and a comparative approach. The legislative approach is carried out to examine the linkages and norm gaps between various legal instruments relevant to ESG. A conceptual approach is used to analyze basic principles such as fiduciary duty, precautionary principle, and corporate responsibility within the framework of corporate law theory. Meanwhile, a comparative approach is carried out to compare the regulation and enforcement of ESG in Indonesia with practices in other countries that have been more advanced in integrating ESG into the corporate legal system. The ultimate goal of this study is to provide a comprehensive legal construction of the need for harmonization of ESG regulations within the framework of Indonesian business law to support corporate sustainability and accountability.

DISCUSSION

The Position and Integration of ESG Principles in the Indonesian Business Legal Framework

The position of the principles of Environmental, Social, and Governance (ESG) in the Indonesian business law framework has not been fully normatively institutionalized as a legally binding legal obligation in a substantive manner. Law Number 40 of 2007 concerning Limited Liability Companies only provides limited space for ESG regulation through Article 74 which regulates social and environmental responsibility obligations (TJSL) for companies engaged in the field of natural resources. The formulation does not reflect the overall ESG approach, as it does not cover all the dimensions of sustainability needed in modern governance. In fact, in the perspective of contemporary business law, ESG should not be reduced only as a CSR instrument, but as a regulatory foundation in building company integrity and sustainability. ESG is no longer just a moral imperative, but a legal and regulatory architecture that shapes the future of global corporations.¹⁰ Therefore, the sectoral and limited approach in the UUPT indicates that there is no national legal courage in making ESG an etholegal framework that binds all business entities.

⁸ Mahlil Adriaman Et Al., *Introduction To Legal Research Methods* (Padang: Tri Scientific Education Foundation, 2024).

⁹ Rangga Suganda, "Metode Pendekatan Yuridis Dalam Memahami Sistem Penyelesaian Sengketa Ekonomi Syariah," *Jurnal Ilmiah Ekonomi Islam* 8, No. 3 (2022): 2859, <https://doi.org/10.29040/jiei.v8i3.6485>.

¹⁰ Al Ghiffary, M. (2025). URGENSI PEMBENTUKAN PERATURAN PELAKSANA INVESTASI BERBASIS ESG (ENVIRONMENTAL, SOCIAL, AND GOVERNANCE) DALAM HUKUM INVESTASI INDONESIA. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 12(12), 81-90.

The integration of ESG into the principles of Good Corporate Governance (GCG) should be a strategic step in reorganizing the corporate governance paradigm that is more oriented towards sustainability and public accountability. The five basic principles of GCG transparency, accountability, responsibility, independence, and fairness represent a value framework that is in line with the substance of ESG. However, in regulatory practice in Indonesia, ESG has not been included as an inherent part of the GCG assessment indicators in a legal-formal manner. The Financial Services Authority through POJK No. 51/POJK.03/2017 has indeed regulated ESG-based sustainability reporting for the financial services sector, but the regulation is administrative and not binding on business entities outside the financial sector. This is different from the European Union's approach through the Corporate Sustainability Reporting Directive (CSRD) which integrates ESG as a mandatory element of financial reporting and corporate decision-making. The integration of ESG into governance not only enhances reputation, but also strengthens the company's long-term economic value.¹¹ Therefore, ESG regulation should not only be a complement, but an essential component in Indonesia's GCG system.

Furthermore, the current national regulatory system shows that there is a disharmony between environmental, labor, and corporate governance norms that has an impact on the ineffectiveness of ESG implementation as a whole. Law No. 32 of 2009 concerning Environmental Protection and Management regulates corporate responsibility for the environment, but it is not structurally connected with GCG regulations in the Constitution or financial sector regulations. Similarly, labor regulations such as Law No. 13 of 2003 (which was later amended by the Job Creation Law) are still not integrated within the ESG framework, so the regulation of workers' rights is often disconnected from the evaluation of the company's governance performance. A fragmented regulatory system results in structural weaknesses in the enforcement of corporate sustainability principles.¹² Therefore, without cross-sectoral harmonization, ESG will remain normative rhetoric without any meaningful implementive power.

The urgency to codify ESG principles into a comprehensive set of business laws is inevitable in the face of global dynamics that increasingly prioritize sustainability as a pillar of economic law. This codification can be in the form of the establishment of special laws related to ESG in business or comprehensive revisions to the UUPT and other sectoral regulations so that ESG principles become the basic norm in all business activities. This codification will create regulatory coherence, which will not only strengthen legal compliance but also increase investor trust and the company's reputation in the eyes of the public. The practices of countries such as Germany and France that have adopted ESG in their corporate law frameworks are an important reference for Indonesia. In this context, ESG is no longer just a domain of ethics or corporate social responsibility, but rather a legal instrument that must be adopted, enforced, and supervised by the relevant authorities.

¹¹ Herlina Ratna, S. N. (2025). *Asas-Asas Umum Hukum Perdata Dalam Perspektif Modern*. Takaza Innovatix Labs.

¹² Gozali, F., & Agustino, L. (2025). Evaluasi Kebijakan Uji Emisi Gas Buangan Kendaraan Bermotor Dalam Penanggulangan Pencemaran Udara Di Kabupaten Tangerang. *Journal Of Geopolitics And Public Policy (JOGPP)*, 3(1), 25-38.

Critical Analysis of Environmental Law Obligations in an ESG Perspective: A Study on Law No. 32 of 2009

The relationship between Environmental principles in ESG (Environmental, Social, and Governance) and environmental legal obligations in Law No. 32 of 2009 concerning Environmental Protection and Management (PPLH) is an issue that is receiving increasing attention in modern corporate law discourse. The PPLH Law itself has contained a number of important principles that are in line with the environmental sustainability pillar in ESG, such as the precautionary principle, the polluter pays principle, and the principle of strict liability. However, normatively, these principles have not been fully internalized into the Good Corporate Governance (GCG) system as part of the ESG compliance structure. In the framework of ESG, corporations are expected not only to comply with minimum legal compliance norms, but also to proactively take responsibility for the environmental impact arising from their business activities. This view is reinforced by the responsive regulation theory of Ayres and Braithwaite (1992), which emphasizes that effective environmental regulation should be preventive and responsive, not just repressive. Therefore, the position of environmental law in the context of ESG should not be subordinate to economic interests, but rather be the main foundation in the formation of sustainable corporate value.¹³

In practice, the application of the principle of strict liability as affirmed in Article 88 of the PPLH Law often faces structural obstacles. Although these norms allow for accountability without having to prove elements of wrongdoing, many environmental pollution cases end without proper remedy due to weak law enforcement capacity, limited access to information, and corporate resistance to restorative responsibility. This shows that ESG principles do not yet have an established position in environmental law practice, especially in the aspects of litigation and corporate internal oversight. On the other hand, "Transnational Law and Corporate Governance" states that the integration of ESG into the governance system cannot only depend on a voluntary approach, but requires the positioning of ESG as an enforceable legal norm.¹⁴ In Indonesia, this constraint is further complicated by the lack of harmonization between environmental norms and capital market legal frameworks, where ESG should be adopted as part of mandatory sustainability reporting and auditing obligations.

Other inconsistencies can also be seen from the inconsistency of ESG regulations in the PPLH Law with the GCG supervision system run by corporate organs, such as the board of commissioners and audit committees. In conventional GCG practices in Indonesia, the assessment of corporate environmental responsibility is still not integrated as an indicator of performance evaluation of management organs, so environmental legal obligations tend to be fragmented and purely administrative. The weak structure of environmental law enforcement lies in the failure to integrate sustainability principles as part of the

¹³ Baskoro, A. (2025). ESG DAN TATA KELOLA HILIRISASI CRITICAL MINERALS: MAMPUKAH INFRASTRUKTUR HUKUM INDONESIA MENJAMIN KEBERLANJUTAN DAN Keadilan?. *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional*, 14(1)

¹⁴ Lubis, A. F., Saputra, M. R., & Khotami, R. S. (2025). Hukum Dan Kebijakan Energi Terbarukan Di Indonesia: Analisis Strategi Dan Implementasi. *Citizen: Jurnal Ilmiah Multidisiplin Indonesia*, 5(2), 516-526.

corporate strategic objective.¹⁵ This means that, although juridically there is a space for corporate criminal and civil liability in the PPLH Law, there is not yet an adequate institutional mechanism to ensure that these ESG principles are implemented systemically. In fact, in the international framework, countries such as Germany, France, and the European Union have adopted provisions such as the EU Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD) which force corporations to carry out environmental responsibilities as part of legal due diligence.¹⁶

Taking these conditions into account, it is very important to reformulate the national environmental law approach to be more progressive and adaptive to the development of ESG as a global standard. This reformulation can be realized through the issuance of derivative regulations from the PPLH Law that explicitly require sustainability disclosure, ESG audit obligations by independent third parties, and the imposition of more measurable administrative, civil, and criminal sanctions against corporations that are negligent or harmful to the environment. This concept is in line with the command and control approach combined with market-based instruments such as green bonds, carbon trading, and fiscal incentives based on environmental performance. Making ESG a legal norm means providing an imperative position on environmental sustainability, while expanding the scope of legal liability that was previously only limited to physical damage, towards the protection of ecosystems and the rights of future generations. Thus, the integration of ESG in environmental law is not only a complement to corporate policies, but also a normative framework that has binding power and is able to answer the challenges of the global climate crisis constitutionally and systemically.

The Urgency of Reformulation of Regulations and Law Enforcement on ESG Compliance in Corporations

The urgency of reformulation of regulations and law enforcement on ESG (Environmental, Social, and Governance) compliance in corporations stems from the fact that Indonesia's national legal system has not comprehensively integrated ESG principles into a binding normative framework. Although there are regulations such as POJK No. 51/POJK.03/2017 that encourage the implementation of sustainable finance, these norms are sectoral in nature and do not contain legal obligations that sanction violations of ESG principles substantially. In the theory of responsive law developed by Philippe Nonet and Philip Selznick, good law must be able to respond to social needs by responding to the development of societal values and expectations, including the value of sustainability and corporate responsibility. Therefore, it is necessary to reformulate regulations that explicitly make ESG principles a positive legal norm that binds all business

¹⁵ Pratama, A., & Mumpuni, N. W. R. (2025). Analisis Pengaturan Pajak Karbon Di Indonesia Ditinjau Dari Prinsip Pencemar Membayar (Polluter Pays Principle)(Studi Komparatif Dengan Negara Singapura): Studi Komparatif Dengan Negara Singapura. *Jurnal Hukum Lex Generalis*, 6(1).

¹⁶ Anisah, B. R. (2020). Eksistensi Investasi Hijau Dalam Poros Pembangunan Ekonomi Sebagai Bentuk Manifestasi Perlindungan Atas Lingkungan Hidup. *Padjadjaran Law Review*, 8(1), 127-142.

actors, especially large-scale corporations that have the potential to have a significant impact on the environment and society.¹⁷

Comparative studies with other jurisdictions show that the integration of ESG principles into the legal system is not only possible, but has become a global standard in modern corporate governance.¹⁸ The European Union, through the Corporate Sustainability Reporting Directive (CSRD), requires companies to prepare sustainability reports based on the European Sustainability Reporting Standards (ESRS), which have legal status equivalent to financial statements. This approach shows that the sustainability aspect has become an integral legal instrument of corporate accountability mechanisms. In addition, the OECD Guidelines for Multinational Enterprises provide a normative basis for extraterritorial cross-border corporate liability, which should be contextually adopted by developing countries such as Indonesia. In terms of law enforcement, a combination of administrative and litigation approaches is required. The Financial Services Authority (OJK) can be empowered to oversee the implementation of ESG and impose sanctions on administrative violations, while judicial institutions can process lawsuits against directors or management who neglect to carry out ESG obligations, in accordance with the principles of directors' duty of care and fiduciary duty. This concept is in line with the modern corporate legal literature, that the structure of corporate law should be geared towards maximizing social accountability, not mere shareholder gains.¹⁹ Therefore, the reformulation of ESG regulations is a legal necessity to ensure corporate compliance with sustainability principles in a structural and equitable manner.

The urgency of reformulation of regulations and law enforcement on ESG (Environmental, Social, and Governance) compliance in corporations stems from the fact that Indonesia's national legal system has not comprehensively integrated ESG principles into a binding normative framework. Although there are regulations such as POJK No. 51/POJK.03/2017 that encourage the implementation of sustainable finance, these norms are sectoral in nature and do not contain legal obligations that sanction violations of ESG principles substantially. In the theory of responsive law developed by Philippe Nonet and Philip Selznick, good law must be able to respond to social needs by responding to the development of societal values and expectations, including the value of sustainability and corporate responsibility. Therefore, it is necessary to reformulate regulations that explicitly make ESG principles a positive legal norm that binds all business actors, especially large-scale corporations that have the potential to have a significant impact on the environment and society.

¹⁷ Anggraini, D. A., Prastiwi, D. E., Maulidya, H., & Daniyanti, S. (2025). PRINSIP BASE EROSION AND PROFIT SHIFTING (BEPS) TERHADAP KEDAULATAN HUKUM PAJAK INDONESIA: KAJIAN LITERATUR. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 13(4), 1-10.

¹⁸ Muarif, I. (2025). INTEGRASI ESG (ENVIRONMENT, SOCIAL, AND GOVERNANCE) DALAM KEUANGAN SYARIAH UNTUK Mendukung Pembangunan Berkelanjutan. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, 2(3), 968-974.

¹⁹ Latifah, F. N., & Widiatmoko, J. (2022). Pengaruh Struktur Kepemilikan Terhadap Corporate Social Responsibility Dan Dampaknya Pada Nilai Perusahaan. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 13(03), 921-937.

Comparative studies with other jurisdictions show that the integration of ESG principles into the legal system is not only possible, but has become a global standard in modern corporate governance. The European Union, through the Corporate Sustainability Reporting Directive (CSRD), requires companies to prepare sustainability reports based on the European Sustainability Reporting Standards (ESRS), which have legal status equivalent to financial statements. This approach shows that the sustainability aspect has become an integral legal instrument of corporate accountability mechanisms. In addition, the OECD Guidelines for Multinational Enterprises provide a normative basis for extraterritorial cross-border corporate liability, which should be contextually adopted by developing countries such as Indonesia. In terms of law enforcement, a combination of administrative and litigation approaches is required. The Financial Services Authority (OJK) can be empowered to oversee the implementation of ESG and impose sanctions on administrative violations, while judicial institutions can process lawsuits against directors or management who neglect to carry out ESG obligations, in accordance with the principles of directors' duty of care and fiduciary duty. This concept is in line with the modern corporate law literature, that the corporate legal structure should be geared towards maximizing social accountability, not just shareholder gain. Therefore, the reformulation of ESG regulations is a legal necessity to ensure corporate compliance with the principles of sustainability in a structural and equitable manner.²⁰

CONCLUSIONS

Based on the overall description, it can be concluded that the principles of Environmental, Social, and Governance (ESG) have not been recognized as a comprehensively binding legal norm in the Indonesian business legal system. Existing regulations are still sectoral, fragmented, and focus more on administrative obligations than legal substance. The disharmony between the Limited Liability Company Law, the PPLH Law, and financial sector regulations creates a juridical gap that weakens the effectiveness of ESG implementation. Whereas globally, ESG has been positioned as an integral element in the modern corporate governance system through legal instruments such as CSRD and CSDDD. ESG is no longer enough to be seen as a form of social responsibility alone, but as an instrument to strengthen fiduciary duty and corporate legal prudence. Neglect of ESG principles can have implications for legal losses, reputation, and overall economic value of the company. Therefore, explicit, systemic, and prescriptive regulatory reformulation is needed in regulating ESG obligations. This reformulation should include sustainability reporting obligations, independent audits, and strict law enforcement. Harmonization of ESG with the principles of Good Corporate Governance (GCG) is also an absolute requirement to ensure accountable and sustainable governance. Such integration will strengthen legal legitimacy and expand the scope of corporate responsibility. In the long term, the implementation of ESG as a legal norm will ensure the stability of a sustainability-oriented national economic system. Therefore, ESG must be immediately codified as an essential part of Indonesian business law.

²⁰ Râmniceanu, V. T. (2022). European Union Initiatives And Regulations On Sustainable Corporate Governance. *International Investment Law Journal*, 2(1), 83-92.

REFERENCES

- Al Fajri, R. (2025). Facing Legal Uncertainty: Challenges Of Corporate Law And Environmental Regulation For Sustainable Business Practices In Indonesia. *Journal Of Social Research*, 4(4), 726-734.
- Al Ghiffary, M. (2025). Urgensi Pembentukan Peraturan Pelaksana Investasi Berbasis Esg (Environmental, Social, And Governance) Dalam Hukum Investasi Indonesia. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 12(12), 81-90.
- Al Ghiffary, M. (2025). Urgensi Pembentukan Peraturan Pelaksana Investasi Berbasis Esg (Environmental, Social, And Governance) Dalam Hukum Investasi Indonesia. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 12(12), 81-90.
- Anggraini, D. A., Prastiwi, D. E., Maulidya, H., & Daniyanti, S. (2025). Prinsip Base Erosion And Profit Shifting (Beps) Terhadap Kedaulatan Hukum Pajak Indonesia: Kajian Literatur. *Causa: Jurnal Hukum Dan Kewarganegaraan*, 13(4), 1-10.
- Anisah, B. R. (2020). Eksistensi Investasi Hijau Dalam Poros Pembangunan Ekonomi Sebagai Bentuk Manifestasi Perlindungan Atas Lingkungan Hidup. *Padjadjaran Law Review*, 8(1), 127-142.
- Baskoro, A. (2025). Esg Dan Tata Kelola Hilirisasi Critical Minerals: Mampukah Infrastruktur Hukum Indonesia Menjamin Keberlanjutan Dan Keadilan?. *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional*, 14(1)
- Dwianto, A., Hidayat, M., Setyowati, R. D. E., Triyantoro, A., & Judijanto, L. (2023). Praktik Bisnis Berkelanjutan: Mengevaluasi Kinerja Keuangan Perusahaan Dengan Pertimbangan Environmental, Social, And Governance (ESG). *Jurnal Cahaya Mandalika ISSN 2721-4796 (Online)*, 3(2), 1963-1969.
- Gozali, F., & Agustino, L. (2025). Evaluasi Kebijakan Uji Emisi Gas Buangan Kendaraan Bermotor Dalam Penanggulangan Pencemaran Udara Di Kabupaten Tangerang. *Journal Of Geopolitics And Public Policy (JOGPP)*, 3(1), 25-38.
- Herlina Ratna, S. N. (2025). Asas-Asas Umum Hukum Perdata Dalam Perspektif Modern. *Takaza Innovatix Labs*.
- Latifah, F. N., & Widiatmoko, J. (2022). Pengaruh Struktur Kepemilikan Terhadap Corporate Social Responsibility Dan Dampaknya Pada Nilai Perusahaan. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, 13(03), 921-937.
- Lubis, A. F., Saputra, M. R., & Khotami, R. S. (2025). Hukum Dan Kebijakan Energi Terbarukan Di Indonesia: Analisis Strategi Dan Implementasi. *Citizen: Jurnal Ilmiah Multidisiplin Indonesia*, 5(2), 516-526.
- Mahlil Adriaman Et Al., *Pengantar Metode Penelitian Ilmu Hukum (Padang: Yayasan Tri Edukasi Ilmiah, 2024)*.

- Muarif, I. (2025). Integrasi Esg (Environment, Social, And Governance) Dalam Keuangan Syariah Untuk Mendukung Pembangunan Berkelanjutan. *Jurnal Akuntansi, Keuangan, Perpajakan Dan Tata Kelola Perusahaan*, 2(3), 968-974.
- Nimasari, D. A., & Sari, P. P. (2025). Ethical Dynamics In Corporate Governance: A Global Perspective On Corporate Governance Practices. *Integrative Perspectives Of Social And Science Journal*, 2(2 Maret), 1667-1672.
- Novea Elysa Wardhani, Sepriano, And Reni Sinta Yani, *Metodologi Penelitian Bidang Hukum* (Jambi: PT. Sonpedia Publishing Indonesia., 2025).
- Nyimas, M. S. (2025). Pengaruh Environmental, Social, Governance (Esg) Disclosure Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Tambang Yang Terdaftar Di BEI Periode 2016-2022).
- Peter Mahmud Marzuki, *Penelitian Hukum* (Jakarta: Kencana Prenada Media Group, 2011).
- Pratama, A., & Mumpuni, N. W. R. (2025). Analisis Pengaturan Pajak Karbon Di Indonesia Ditinjau Dari Prinsip Pencemar Membayar (Polluter Pays Principle)(Studi Komparatif Dengan Negara Singapura): Studi Komparatif Dengan Negara Singapura. *Jurnal Hukum Lex Generalis*, 6(1).
- Râmniceanu, V. T. (2022). European Union Initiatives And Regulations On Sustainable Corporate Governance. *International Investment Law Journal*, 2(1), 83-92.
- Rangga Suganda, "Metode Pendekatan Yuridis Dalam Memahami Sistem Penyelesaian Sengketa Ekonomi Syariah," *Jurnal Ilmiah Ekonomi Islam* 8, No. 3 (2022): 2859, <https://doi.org/10.29040/jiei.v8i3.6485>.