

ESG Governance and Transparency for Public Companies in Indonesia: Legal & Policy Implications

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Abstract: This study analyzes the application of Environmental, Social, and Governance (ESG) as a legal instrument in the governance of public companies in Indonesia, focusing on normative legitimacy, regulatory effectiveness, and policy implications. Using a normative juridical research method, this study examines the Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 as the legal basis for the implementation of sustainable finance and its relationship with the principles of good corporate governance (GCG). The results of the analysis show that ESG has evolved into a binding legal norm, confirming the obligation of public companies to carry out their social and environmental responsibilities in a transparent and accountable manner. Although the legal framework has been established, there are still challenges in the aspects of regulatory harmonization, the absence of substantive sanctions, and the weak independent oversight mechanism. ESG also expands the legal responsibilities of directors and commissioners, who are obliged to ensure the integrity of reporting and the application of the principles of prudence. This research confirms that the integration of ESG into the Indonesian corporate legal system is a strategic step towards a fair, sustainable, and legal ethics-based governance paradigm. Policy reform through the establishment of the National Sustainable Governance Framework is recommended to strengthen the legal certainty and effectiveness of the implementation of ESG as a pillar of the legal legitimacy of public corporations in Indonesia.

Keywords: ESG, Corporate Governance, Corporate Law

INTRODUCTION

The application of *Environmental, Social, and Governance* (ESG) principles is increasingly becoming a new normative instrument in strengthening corporate governance at the global and national levels. ESG is not just an ethical paradigm, but a legal instrument that contains the value of corporate accountability to the environment, society, and stakeholders. The paradigm shift from *profit-oriented governance* to *sustainability-oriented governance* is driving a redefinition of corporate responsibility, where sustainability is seen as a legal obligation and not just a moral choice. Public companies in Indonesia are now facing increasingly complex demands to adjust to the ESG reporting regime, especially after global capital market involvement demanded non-financial data disclosure. The principle of transparency regulated in various legal instruments is the foundation of public legitimacy for the existence of corporations, because the public has the right to know the extent to which companies comply with sustainability standards. When ESG is integrated into *good corporate governance* (GCG), the company's legal structure is not only oriented



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towards the protection of shareholders, but also on the protection of the public interest at large.¹ ESG transparency, thus, has the inherent *nature of public accountability* in public companies as legal subjects subject to state authoritative oversight. ESG norms are transforming into progressive legal obligations, where any non-compliance with reporting can lead to reputational consequences and administrative sanctions. This shift marks the evolution of corporate regulation from a *compliance-based* approach to *value-based governance* that is oriented towards legal and social sustainability.

The national legal framework has provided a normative basis for the implementation of ESG, although its implementation is still partial. The Financial Services Authority (OJK) through POJK No. 51/POJK.03/2017 has established the obligation for financial service institutions, issuers, and public companies to apply sustainable finance principles and prepare annual sustainability reports. This instrument marks a regulatory shift from mere financial disclosure to multi-dimensional reporting that includes social and environmental responsibility. However, the effectiveness of this norm still faces obstacles because of its more administrative nature than substantive nature. The regulation does not yet fully have coercive forces that can force companies to carry out fundamental managerial transformation. As a result, the company's compliance with ESG reporting is still symbolic and focused on fulfilling legal formality obligations. Meanwhile, the harmonization between OJK regulations and environmental sector regulations such as Law Number 32 of 2009 concerning Environmental Protection and Management is still not synchronized. This fragmentation of regulations creates overlapping obligations and opens up space for *legal uncertainty*. Therefore, ESG cannot be understood only as a reporting policy, but as an integral part of the corporate legal system that demands certainty, consistency, and coercion.

Transparency as a corporate law principle is an essential element of the company's public legitimacy. Public companies as entities that collect public funds have a legal responsibility to disclose material information for investor and public decision-making. This disclosure includes not only financial information, but also non-financial information related to the social and environmental impacts of business activities. Good ESG reporting standards must meet the principles of *materiality*, *reliability*, and *comparability* as developed in international reporting systems such as the *Global Reporting Initiative (GRI)* and the *Sustainability Disclosure Standards by the ISSB (International Sustainability Standards Board)*. However, in Indonesia, most ESG reports are still descriptive and not based on independently verified quantitative metrics. The disintegration of sustainability audit mechanisms and the weak role of external auditors in ESG verification create legal vulnerabilities to the correctness of the data submitted by companies. The phenomenon of *greenwashing* is increasingly found when companies use sustainability narratives to build a positive image without substantial changes in their business practices. When ESG reporting is not legally verified, the public's right to accurate information is violated, which in turn raises issues of legal and ethical corporate responsibility.²

From the perspective of modern corporate law, ESG functions as a *risk governance instrument* that suppresses potential legal, social, and reputational risks for companies. When social and environmental responsibilities are ignored, the risk of litigation, public boycotts, and administrative sanctions becomes a real threat to business sustainability. Therefore, public companies need to internalize ESG principles into

¹ Assegaf, M. M. T. I. (2024). Aspek Hukum Environmental, Social, And Governance (Esg) Sebagai Sarana Mewujudkan Pengembangan Perusahaan Yang Berkelaanjutan Di Indonesia (Perbandingan Hukum Dengan Malaysia). *Dinamika*, 30(2), 10323-10338.

² Rosadi, M. F., Wisafasha, S. W., Nurfadhilah, T., & Anugrah, D. (2025). Dampak ESG (Environmental, Social, And Governance) Terhadap Kinerja Perusahaan: Studi Kasus Pt Pertamina Dan PT Shell. *Letterlijk*, 2(1), 48-54.

the decision-making structure of directors and commissioners. The principle of *fiduciary duty* can no longer be interpreted solely as an obligation to maximize shareholder profits, but must include an obligation to ensure the long-term sustainability of the company. Corporate decisions that ignore environmental or social impacts can now be interpreted as a violation of the duty of *care* and duty of *loyalty* inherent in the company's organs. Such a conception of law expands the scope of responsibility of directors in the realm of civil and administrative law. The integration of ESG into the *corporate governance framework* is a form of evolution of corporate law from a *shareholder primacy* approach to *stakeholder inclusivity*, which is more in line with the principles of distributive justice and sustainability.

Legal certainty is a crucial foundation in the effectiveness of ESG implementation in Indonesia. The absence of special regulations governing legal sanctions against non-compliance with ESG reporting has led to weak regulatory coercion.³ Although POJK and the policies of the Indonesia Stock Exchange (IDX) require sustainability reporting, there is no legal mechanism that explicitly affirms the legal consequences for substantive violations.⁴ This creates an *enforcement gap* that weakens the credibility of the national ESG reporting system. Without an adequate legal tool, ESG transparency has the potential to become an administrative ritual that does not result in structural change. The state as the holder of supervisory authority should strengthen its ESG position through stricter legal instruments, such as government regulations or special laws on corporate sustainability responsibilities. Strengthening the law enforcement aspect can also be done through the development of an independent sustainability audit institution with quasi-judicial authority. Cross-agency harmonization between the OJK, the Ministry of Environment and Forestry, and the Ministry of SOEs will create an integrated ESG supervisory system that has normative coercion.

Improving the integrity of ESG reporting requires strengthening public accountability mechanisms. The involvement of the public, media, and civil society organizations is an important non-state oversight factor to maintain the honesty of ESG information. The *public disclosure* mechanism allows the public to assess the company's commitment to sustainability, while providing social pressure on non-compliant companies. On the other hand, institutional investors and financial institutions also play a role as market supervisors through the application of the *principle of responsible investment* which requires ESG compliance as a prerequisite for investment. The enforcement of ESG norms through market mechanisms creates synergy between legal and economic regulations. When ESG transparency becomes a reputation instrument, then legal compliance becomes not only a formal obligation but also a sustainable business strategy. This approach reinforces the interconnection between legal legitimacy and corporate social legitimacy in the modern economic system.

The public policy dimension of ESG in Indonesia demands a paradigm reconstruction from sectoral policies to integrated national sustainability policies. Fragmentation of regulations between sectors leads to overlapping authorities and hinders the effectiveness of the implementation of ESG principles. Policy reforms that lead to the establishment of the *National Sustainable Governance Framework* are an urgent need to ensure alignment between economic, environmental, and social interests. The policy instrument must integrate ESG principles into laws and regulations governing the capital market, investment, environment, and governance of public companies. The formulation of such policies needs to be based on the principle of *legal coherence* so as not to cause dualism of interpretation between institutions.

³ Sakarani, N. N. M., & Kurniawan, I. G. A. (2025). The Relationship between ESG (Environmental, Social, Governance) Principles and the Fulfillment of the Right to Work for Persons with Disabilities. *Pena Justisia: Media Komunikasi dan Kajian Hukum*, 24(2), 3247-3263.

⁴ Ayu, A. S., & Muryanto, Y. T. (2025). Perlindungan Hukum Terhadap Investor Melalui Prinsip Keterbukaan Dalam Mekanisme Securities Crowdfunding (SCF). *Jurnal Usm Law Review*, 8(3), 1338-1361.

Harmonization of legal norms is key to the effectiveness of ESG implementation, as sustainability cannot be realized through fragmented policies. Consistent national policies will provide legal certainty for business actors and strengthen Indonesia's position in the global economic system that is increasingly oriented towards sustainability.

The ESG transformation in the Indonesian corporate law realm shows that sustainable governance is a multidimensional issue involving legal, economic, and ethical aspects. ESG reporting obligations are not just a form of administrative compliance, but a manifestation of the evolution of the law towards a more just and socially responsible system. When corporations understand that sustainability is an instrument of legal and social legitimacy, then commitment to ESG will become part of the company's legal culture. The state, through regulatory and policy reforms, has a strategic role in ensuring that this transformation is carried out in a systematic, inclusive, and coercive manner. The integration of ESG into the national legal system will strengthen Indonesia's corporate legal position at the global level, while creating governance that is not only efficient, but also equitable between generations. Thus, ESG governance and transparency for public companies is not only a normative legal instrument, but also a concrete form of a paradigm shift towards sustainable corporate law that upholds accountability and social ethics.

METHOD

The research method used in the study entitled Governance and ESG Transparency for Public Companies in Indonesia: Legal and Policy Implications is a normative juridical method, which is a legal research approach that focuses on the assessment of positive laws, principles, norms, and legal doctrines that govern the application of the principles of⁵ Environmental, Social, and Governance (ESG) in public company governance. This research departs from the assumption that ESG is a legal issue that creates normative obligations for corporations as legal subjects, not just a managerial or economic issue. The aim is to examine the extent to which the national legal system regulates ESG transparency, assess the legal consequences for public companies, and test its conformity with the principles of good corporate governance and global sustainability. This approach is analytical and prescriptive, as it not only describes the applicable norms, but also provides an assessment of the effectiveness and coherence between the rules governing ESG in Indonesia.

The research approaches used include a statute approach, a conceptual approach, and a comparative approach. The legislative approach is used to review the provisions of the Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 concerning the Implementation of Sustainable Finance, which is the basis for ESG reporting obligations for public companies, as well as related regulations such as Law Number 8 of 1995 concerning the Capital Market, Law Number 40 of 2007 concerning Limited Liability Companies, and Law Number 32 of 2009 concerning Environmental Protection and Management. A conceptual approach is used to interpret the meaning of governance, transparency, and sustainability as modern corporate legal principles based on openness and accountability. Meanwhile, a comparative approach was used to compare ESG reporting standards in Indonesia with international standards such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD) to assess the suitability of national regulations with global practices.

This study uses secondary data that includes primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations and official policies such as POJK No. 51/POJK.03/2017, IDX

⁵ Wiraguna, S. A. (2024). Metode normatif dan empiris dalam penelitian hukum: Studi eksploratif di Indonesia. *Public Sphere: Jurnal Sosial Politik, Pemerintahan dan Hukum*, 3(3).

Regulation No. I-E, as well as legal documents related to sustainability governance. Secondary legal materials include academic literature, scientific journals, policy reports, and previous research results on ESG governance and the legal responsibilities of public corporations. Tertiary legal materials include legal dictionaries and international institution publications that explain the terminology of sustainability law. All legal materials are collected through library research that traces credible national and international legal sources.

The analysis is focused on POJK No. 51/POJK.03/2017 as the normative basis for sustainability reporting, which requires public companies to prepare a Sustainable Finance Action Plan (RAKB) and submit an annual Sustainability Report. The regulation affirms the obligation of transparency and corporate accountability in disclosing the social, environmental, and corporate governance impacts to the public. Thus, ESG is no longer voluntary, but a binding legal obligation that must be complied with by issuers and public companies. This study assesses the extent to which these regulations have been effective in internalizing sustainability principles into the corporate governance system, as well as identifying normative weaknesses that make their implementation often formalistic.

Data analysis is carried out qualitatively-descriptively, by interpreting legal norms and evaluating their conformity to applicable legal principles. The analysis process includes three stages: inventory of legal norms, to identify the relationship between rules; systematic interpretation, to understand the meaning of the obligation of transparency in POJK No. 51/POJK.03/2017; as well as normative evaluation, to assess the effectiveness and consistency of regulations on the principles of good corporate governance. The results of the research are expected to provide a comprehensive understanding of the construction of ESG law in Indonesia, as well as formulate recommendations for strengthening regulations that are more integrative, coercive, and responsive to global developments to realize transparent, accountable, and sustainable corporate governance.

DISCUSSION

1. ESG Normative Construction in the Indonesian Corporate Legal System

The integration of *Environmental, Social, and Governance* (ESG) in Indonesia's corporate legal system reflects a fundamental shift from an economic-oriented corporate legal paradigm to a legal system that prioritizes sustainability values. ESG principles expand the function of corporate law from simply regulating internal relations between shareholders to a normative instrument that balances economic, social, and environmental interests. Corporate law is no longer seen as a means to optimize short-term profits, but as a legal mechanism to ensure corporate sustainability within the framework of social responsibility.⁶ ESG values also contain a dimension of legal morality, where legal norms are combined with the principles of distributive justice and intergenerational responsibility.⁷ This normative construction emphasizes that public companies are obliged to comply with the legal principles of sustainability as mandated by Law Number 40 of 2007 concerning Limited Liability Companies. ESG emphasizes that the legitimacy of

⁶ Siddiq, N. K., & Fathoni, L. A. (2025). Konstruksi Peran Kejaksaan dalam Penegakan Hukum Lingkungan untuk Mendukung Agenda Pembangunan Berkelanjutan. *Jurnal Fundamental Justice*, 6(2), 261-270.

⁷ Munthe, G. A. D. (2021). *Politik Hukum Pengaturan Tanggung Jawab Sosial Dan Lingkungan Sebagai Implementasi Prinsip Pembangunan Berkelanjutan Di Indonesia* (Doctoral dissertation, Universitas Atma Jaya Yogyakarta).

corporate law is not only measured by formal compliance with regulations, but also by the company's ability to ensure a balance between profits and socio-environmental sustainability. This transformation marks the emergence of *the value-based governance paradigm* as a new foundation for the modern corporate legal system. This shift makes ESG not just a voluntary policy, but a legal norm that has implications for the legitimacy and accountability of corporate entities.

The development of ESG in Indonesia shows the close relationship between private norms and public norms regulated within the national legal framework. The principle of *corporate social responsibility (CSR)* as stipulated in Article 74 of the Limited Liability Company Law has become the substantive legal basis for the implementation of ESG in Indonesia.⁸ ESG is a further elaboration of CSR by expanding the company's legal obligations to the environment and good governance. This approach reinforces the view that corporate law serves not only to regulate contractual relationships, but also as a regulatory mechanism to safeguard the public interest. The integration of ESG into the corporate legal system also demands a conceptual revision of the *fiduciary duty principle*, as the responsibility of the board of directors now includes an ethical obligation to consider environmental and social impacts in decision-making. When ESG is used as a measure of compliance, corporate law moves towards a normative system that is reflective of the value of ecological justice.⁹ This recognition emphasizes that sustainability is an integral part of legal certainty and justice in the implementation of business activities.

The construction of ESG laws also changes the legal relationship between corporations and states. The state through legal instruments such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) plays a supervisory role in ensuring the normative and consistent application of sustainability principles. OJK is an institution that not only carries out the function of financial supervision, but is also responsible for the social integrity of corporations through sustainability reporting obligations. ESG legal norms strengthen the state's position as a guardian of *the public interest* that oversees corporate behavior to be in line with sustainability principles. This relationship creates a new legal mechanism in the form of *regulatory governance*, where oversight emphasizes not only administrative compliance, but also the substantive effectiveness of sustainability policies. When the state establishes ESG legal obligations, the corporate legal function shifts to a means to realize social and ecological justice. Thus, ESG strengthens the role of law as a tool to correct structural inequities caused by unsustainable economic activities.

ESG legal governance in Indonesia also requires the existence of the principles of *transparency* and *accountability* as the main pillars in the regulation of public corporations. Transparency is not only a mechanism for delivering information, but a form of legal accountability inherent in corporate entities as subjects of public law. The ESG reporting obligation reflects the application of the principle of disclosure of information as stipulated in the Capital Market Law. Violations of the ESG disclosure principle can have legal consequences, either in the form of administrative sanctions from capital market authorities or civil lawsuits on the basis of concealment of material information. Thus, ESG expands the definition of corporate legal responsibility from *compliance-based* to *integrity-based governance*. The principle of openness in ESG not only guarantees investors' right to know the condition of the company, but also protects the interests of the community against environmental and social impacts. Modern corporate law, therefore, cannot be separated from ethical responsibilities that are institutionalized through ESG norms.

⁸ Muslimah, M. (2024). *Analisis Hukum Terhadap Pengaturan Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) Bagi PT Perseorangan* (Doctoral dissertation, Universitas Islam Indonesia).

⁹ 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.

The position of ESG in the national legal system cannot be separated from the dynamics of global law that demands the harmonization of sustainability norms. International standards such as *the Global Reporting Initiative (GRI)*, *the Sustainability Accounting Standards Board (SASB)*, and *the Task Force on Climate-related Financial Disclosures (TCFD)* have become a reference for various jurisdictions in regulating sustainability reporting.¹⁰ Indonesia as part of the global market has an obligation to adopt these principles into the national legal system. This adaptation requires the establishment of regulations that have binding power and are able to ensure legal equality between countries in the implementation of ESG. Indonesia's involvement in various international forums on sustainability shows the recognition of ESG as a transnational legal norm that must be internalized nationally. Thus, the normative construction of ESG in Indonesia is the result of a synthesis between global demands, national needs, and corporate legal principles that uphold social justice and ecological sustainability.

2. Juridical Analysis of OJK Regulation No. 51/POJK.03/2017

OJK Regulation No. 51/POJK.03/2017 is the main legal basis that regulates the obligations of public companies to implement sustainable finance principles. The norms stipulated in this regulation affirm the obligation of issuers and financial services institutions to prepare *a Sustainable Finance Action Plan (RAKB)* and annual sustainability report as a form of legal accountability. This provision serves not only as an administrative guideline, but also as a substantive norm that demands adherence to the principles of sustainability. Articles 2 to 9 of the POJK expand the scope of corporate reporting to be multidimensional, covering economic, social, and environmental aspects. By establishing ESG as part of the mandatory reporting system, the OJK emphasizes that sustainability is not just a moral initiative, but a legal obligation that has coercive force.¹¹ This affirmation shows that Indonesia's national law has recognized sustainability as a public legal principle that binds the private sector. Therefore, the enactment of POJK No. 51/POJK.03/2017 can be seen as a concrete manifestation of the concept of *regulatory compliance* that combines legal compliance with the value of social responsibility.

The implementation of POJK No. 51/POJK.03/2017 still faces significant normative challenges, especially related to the effectiveness of law enforcement. Provisions that are declarative without substantive sanctions create gray space in implementation. Many public companies view sustainability reporting as an administrative obligation, not a strategic legal commitment. This condition has led to the emergence of the phenomenon of *greenwashing*, which is a reporting practice that highlights the image of sustainability without being supported by valid and verified data. From a legal perspective, this phenomenon can cause violations of the principles of openness and honesty as stipulated in the Capital Market Law. The indecisiveness of administrative sanctions for ESG violations also hinders the formation of a true culture of compliance among capital market participants.¹² Therefore, it is necessary to strengthen secondary laws in the form of implementing regulations or OJK circulars that establish assessment mechanisms and

¹⁰ Tobing, J. L., & Sebastian, K. (2022). Tinjauan Yuridis Terhadap Efek Bersifat Utang Berwawasan Lingkungan (Green Bond) Sebagai Instrumen Investasi dalam Penerapan Sustainable Investment di Pasar Modal Indonesia. *Technology and Economics Law Journal*, 1(1), 2.

¹¹ Siagian, A. A., Siregar, A. E. S., Ramadhan, R., Julia, A. I. M., & Suherman, L. F. (2025). Analisis Yuridis Terhadap Implementasi ESG (Environmental, Social, Governance) Dalam Regulasi Pasar Modal Indonesia. *Jurnal Inovasi Hukum*, 6(3).

¹² Chandra, J. A. C., & Sacipto, R. (2022). Analisis Peranan Pemerintah Terhadap Praktik Greenwashing Dalam Strategi Investasi Keuangan Berkelanjutan Berbasis ESG. *Jurnal Panorama Hukum*, 7(2), 138-146.

sanctions for violations of sustainability reporting. This strengthening will clarify ESG's position as an imperative legal obligation.

Institutional aspects are an important factor in assessing the effectiveness of the implementation of POJK No. 51/POJK.03/2017. OJK as a financial supervisory institution has the normative authority to ensure the consistent implementation of ESG through sustainability supervision and audit mechanisms. This supervisory function is in line with the legal mandate of the OJK as stipulated in Law Number 21 of 2011, which affirms that the OJK has a role in maintaining the stability of the national financial system.¹³ Effective ESG implementation requires coordination between the OJK, the Indonesia Stock Exchange (IDX), and independent auditing institutions to ensure the accuracy of data reported by issuers. An integrated institutional structure will prevent inconsistencies between legal norms and reporting practices in the field. Weaknesses in the aspect of inter-agency coordination have the potential to create *regulatory gaps* that weaken legal certainty in the implementation of ESG. A strong supervisory institution is a key element so that ESG does not stop at the declarative level, but becomes a legal system that has normative and implementive coercion.

The juridical analysis of POJK No. 51/POJK.03/2017 also shows the need to improve legal norms that are harmonious with regulations in other sectors.¹⁴ OJK regulations must be synergized with the Environment Law, the Capital Market Law, and the SOE Law so as not to cause normative conflicts. This synchronization is necessary to ensure consistency in sustainability principles across all types of corporate entities, both private and state-owned. Disharmony between regulations has the potential to cause dualism of obligations and legal uncertainty for business actors. The harmonization of ESG law also reflects the application of the *principle of legal coherence*, which requires the unity of the legal system so that the applicable norms do not contradict each other. By uniting the principles of sustainability in a single national legal framework, the government can build a fair and consistent corporate governance system. Therefore, POJK No. 51/POJK.03/2017 needs to be interpreted systemically to be in line with the principles of public law and national policies on sustainable development.

The normative weaknesses of POJK No. 51/POJK.03/2017 can also be overcome through strengthening the independent sustainability audit mechanism. This mechanism serves as a legal guarantee for the accuracy and reliability of data submitted by public companies. Sustainability auditors must have legally recognized independence and competence to assess the veracity of the substance of ESG reports. Such an audit mechanism will increase the credibility of the reporting system and encourage the formation of a corporate culture based on legal ethics. With an independent audit system, corporate responsibility to the public can be measured objectively and does not depend on the company's goodwill alone. Strengthening sustainability audits will also create a deterrent effect on data manipulation practices and violations of the

¹³ Pramana, A. A., Kusuma, W. R., Perdana, D. A., & Rabbani, M. F. A. (2025). Implications Of The Role And Function Of Banking Supervision According To The Regulation Of The Financial Services Authority Number 5 Of 2024. *Journal of Multidisciplinary Academic Sciences*, 2(1), 362-372.

¹⁴ Salim, A., Sutedjo, G. I., & Siallagan, C. N. (2025). Menuju audit ESG berkualitas dan transparan: Optimalisasi implementasi audit ESG dengan Robotic Process Automation. *Indonesian Journal of Auditing and Accounting*, 2(1), 138-153.

principle of openness.¹⁵ The implementation of ESG audits legally will emphasize that sustainability is not moral rhetoric, but a legal obligation that has real juridical consequences.

3. Legal and Policy Implications for Strengthening ESG Transparency and Accountability

The implementation of ESG in Indonesia's corporate legal system has profound implications for the principles of transparency and accountability of public companies. Transparency in ESG reporting is a manifestation of the public's right to obtain true, relevant, and accountable information. The principle of openness is a manifestation of the principle of *right to know*, which is the basis for the public to assess the extent to which companies carry out their legal responsibilities towards the environment and society. When corporations fail to disclose ESG information honestly, public trust and capital market stability can be compromised. ESG legal norms make disclosure not just an administrative obligation, but part of corporate legal legitimacy.¹⁶ Thus, accurate ESG reporting becomes a legal instrument to maintain a balance between corporate interests and people's rights to information. The application of the comprehensive principle of openness will strengthen the legal legitimacy of the company and increase investor confidence in the national capital market system.

Corporate accountability in the ESG framework demands fundamental changes to the legal orientation of public companies. Accountability is not only defined as financial responsibility, but also as a legal obligation to account for the social and environmental impacts of business activities. Public companies as legal entities that collect public funds are obliged to carry out their activities by ensuring the protection of the public interest. The concept of *public accountability* is strengthened by the provisions in POJK No. 51/POJK.03/2017 which requires issuers to prepare annual sustainability reports that can be accessed openly by the public. This obligation creates a legal relationship that is *vertical accountability*, where the corporation is not only responsible to the shareholders, but also to the state and society. By expanding the dimension of accountability, ESG makes corporations part of a public legal system that is subject to the principles of social justice and ecological balance.¹⁷ Therefore, strengthening ESG accountability is a prerequisite for the formation of a sustainability-oriented corporate legal system.

The implications of ESG law are also seen in the expansion of the responsibility space of the board of directors and the board of commissioners for sustainability reporting violations. When a company's organ is negligent in carrying out ESG obligations, it can be categorized as a violation of the principles of *duty of care* and loyalty. These violations have the potential to give rise to personal legal liability for corporate organs on the basis of negligence in carrying out fiduciary functions. Thus, ESG functions as a preventive legal instrument that suppresses legal and reputational risks of the company.¹⁸ Dishonest or incomplete ESG reporting can be considered a form of *misleading disclosure* that is contrary to the principle of disclosure in the capital market. The directors' personal responsibility for ESG reporting violations confirms

¹⁵ Kossay, M., Putra, R. K., & Idris, M. F. (2025). Keberlanjutan Ekonomi dalam Perspektif Hukum: Analisis Regulasi Environmental, Social, and Governance di Indonesia. *Perkara: Jurnal Ilmu Hukum dan Politik*, 3(1), 675-693

¹⁶ Flaga-Gieruszyńska, K., Gaubienė, N., Pranovičienė, K., & Krzystek, P. (2024). Navigating the Legal Labyrinth: ESG Compliance Management as a Legal Service. In *Exploring ESG Challenges and Opportunities: Navigating Towards a Better Future* (pp. 3-24). Emerald Publishing Limited.

¹⁷ Kennedy, A. (2024). Efektivitas Hukum Pasar Modal Dalam Mendorong Investasi Tidak Langsung yang Berkelanjutan di Indonesia. *Iuris Studia: Jurnal Kajian Hukum*, 5(2), 539-550.

¹⁸ Blanchard, S. (2024, March). Adjudicating ESG Reputation. In *International Law and Economics Conference* (pp. 149-173). Cham: Springer Nature Switzerland.

that sustainability law is not only institutional, but also individual. Strengthening this norm creates a balance between corporate interests and legal moral obligations to the public.

National legal policies need to be directed to strengthen the integration of ESG into the broader legal system through regulatory harmonization and strengthening of supervisory instruments.¹⁹ Policy fragmentation spread across various sectors such as finance, environment, and industry creates inconsistencies in the application of ESG principles. The state needs to build an integrated legal framework in the form of a *National Sustainable Governance Framework* that coordinates policies between institutions so that there is no overlap of authority. The harmonization of ESG policies must be based on the principles of *legal coherence* and *regulatory integration* so that sustainability norms can be implemented effectively and uniformly.²⁰ Strengthening legal institutions in the implementation of ESG can also be done through the establishment of an independent sustainability audit body that has quasi-judicial authority. This institution will strengthen the supervisory function and provide legal legitimacy to ESG performance assessments.²¹ Such policy reforms will create legal governance consistent with sustainability principles and strengthen Indonesia's position in the global economic arena.

ESG transparency and accountability ultimately become the foundation for the legitimacy of modern corporate law in Indonesia. When public companies make ESG an integral part of the governance system, it not only governs economic transactions, but also ensures a balance between human interests and the sustainability of nature. The integration of ESG into the national legal system confirms that economic development cannot be separated from the value of social and ecological justice. With strengthened regulations, independent audit mechanisms, and civil society participation, the ESG legal system in Indonesia will be able to create ethical and responsible corporate governance. This transformation is not only a step towards formal compliance, but the embodiment of law as a moral and social means for the common good. ESG ultimately became a symbol of the shift in corporate law from a utilitarian paradigm to a sustainable justice paradigm that places sustainability as the main principle of national economic law legitimacy.

CONCLUSIONS

The overall analysis of Environmental, Social, and Governance (ESG) governance and transparency for public companies in Indonesia shows that the implementation of ESG has evolved from an ethical concept to a legal norm that has coercive force and legitimacy in the national corporate legal system. ESG is no longer seen as an optional policy, but as part of a legal obligation that systematically balances economic, social, and environmental interests. OJK Regulation No. 51/POJK.03/2017 serves as the main legal foundation that affirms the responsibility of public companies in implementing sustainability principles through transparent and accountable reporting. The existence of these regulations is a transformative milestone that shifts the traditional corporate governance paradigm to a legal model oriented towards social justice and long-term sustainability. However, the effectiveness of these regulations still faces challenges in terms of legal harmonization, enforcement mechanisms, and the absence of substantive sanctions for

¹⁹ Nadiariani, A., Tridewo, N. F., Anfasha, K. A., Syadena, D. A. P., Rembulan, D. B., & Sjofjan, L. (2025). Studi Kasus Pengaturan Green Banking dalam Peraturan Perundang-Undangan Indonesia: Peluang dan Tantangan. *Jurnal Hukum Lex Generalis*, 6(8).

²⁰ Siddiq, N. K., & Sumaragatha, I. G. B. S. (2025). Penguatan Prinsip ESG dalam Reformasi Pengembangan Sistem Perizinan Berusaha di Indonesia. *Private Law*, 5(2), 541-554.

²¹ Baskoro, A. (2025). Critical Minerals' ESG And Downstream Governance: Can Indonesia's Legal Infrastructure Ensure Sustainability And Justice? *Journal of Rechts Vinding: National Legal Development Media*, 14(1).

ESG reporting violations. These weaknesses create room for symbolic compliance practices that undermine the value of ESG legal integrity among corporations. Strengthening the legal institutional structure through coordination between the OJK, IDX, and independent sustainability audit institutions is crucial to ensure reporting accuracy and prevent abuse of the principle of openness. ESG also expands the scope of legal responsibility for corporate organs, as directors and commissioners are now obliged to uphold the principles of prudence and honesty in every decision-making that has an impact on the public and the environment. Thus, ESG serves as a preventive legal instrument that ensures the legal stability and social legitimacy of public companies. Policy reform towards the National Sustainable Governance Framework is an urgent need to create a coherent and sustainable legal system. When ESG principles are fully internalized into the national legal system, Indonesian corporate law will transform into a governance system that upholds social responsibility and ecological justice. ESG ultimately affirms the role of law not only as a tool of economic regulation, but as an ethical means to balance corporate interests with the interests of humanity and the sustainability of future generations.

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