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## **Supervision and Enforcement of CSR in Indonesia: A Comparative Study of ASEAN Regulations and Harmonization with Global Standards**

(A Normative Study on CSR in Indonesia)

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### **ABSTRACT**

*Indonesia continues to face critical challenges in overseeing and enforcing Corporate Social Responsibility (CSR) initiatives, particularly in the context of aligning national frameworks with ASEAN regulations and global norms. This study conducts a normative-comparative analysis, assessing Indonesia's CSR legal framework in relation to that of selected ASEAN countries, namely Malaysia, Thailand, and Singapore, while also evaluating the complexities involved in adopting international standards such as the UN Guiding Principles on Business and Human Rights, ISO 26000, and Environmental, Social, and Governance (ESG) frameworks. The analysis reveals that, despite Indonesia's mandatory CSR provisions, regulatory enforcement and supervisory mechanisms remain underdeveloped, with limited legal sanctions. By contrast, other ASEAN nations tend to adopt more voluntary, market-oriented CSR approaches. The paper proposes strategic policy recommendations focused on regulatory harmonization, improving enforcement capabilities, and promoting meaningful CSR implementation. The findings aim to contribute to the discourse among policymakers, corporate stakeholders, and scholars in advancing a more responsible and sustainable business environment.*

**Keywords:** ASEAN, CSR, ESG Frameworks, Indonesia, ISO 26000, UN Guiding Principles

### **INTRODUCTION**

In the development of an increasingly advanced world industry in various countries, carried out by companies across multiple sectors, it is inseparable from the social and environmental responsibilities of these companies for the benefit of sustainable development. Corporate social and environmental responsibility, or better known as CSR (Corporate Social Responsibility), has globally become one of the

sustainable business strategies in developing a company's business. The development of standardised CSR implementation regulations, such as ISO 26000, UN Guiding Principles on Business and Human Rights, and Environmental, Social, and Governance (ESG) frameworks, guides the implementation of CSR.

In Indonesia, the regulation of CSR implementation is explicitly contained in Article 74 of Law No. 40 of 2007 on Limited Liability Companies and Article 15 of Law No. 25 of 2007 on Capital Investment. In addition, several other laws, such as Law No. 4/2009 on Mineral and Coal Mining and Law No. 32/2009 on Environmental Protection and Management, also implicitly mention sustainable environmental management and empowerment of surrounding communities in every business activity. Meanwhile, ASEAN countries such as Malaysia and Thailand have implemented structured CSR reporting obligations for sustainability for public companies.<sup>1</sup> This reporting obligation is necessary to ensure that the company carries out its social responsibility.

This study focuses on the comparison of CSR supervision regulations in several ASEAN countries and how to identify challenges in harmonization with global standards (UN Guiding Principles, ISO 26000, ESG). The formulation of problems in this study includes how the effectiveness of CSR regulations in Indonesia compared to ASEAN countries, what are the main challenges in harmonizing with global standards, and how to strengthen the mechanism of supervision and prosecution of CSR violations.

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<sup>1</sup> Accounting and Corporate Regulatory Authority (ACRA), “Tren Dan Arah Sustainability Report Indonesia Di Masa Mendatang,” *PWC*, last modified 2023, <https://www.pwc.com/id/en/media-centre/press-release/2023/indonesian/tren-dan-arrah-sustainability-report-indonesia-di-masa-mendatang.html>.

## LITERATURE REVIEW

Corporate Social Responsibility (CSR) reflects the company's moral and ethical responsibility to society and the environment as a result of its business activities.<sup>2</sup> The concept of CSR developed in the 90s at the WBSD (World Business Council for Sustainable Development) activities in 1995 initiated by the United Nations. CSR combines business/economic interests and social interests with the concept of development of 3 elements, namely economic, environmental, and social,<sup>3</sup> where stakeholder needs are met reasonably and proportionally as a contribution to sustainable development.<sup>4</sup> Supervision and prosecution of CSR violations are needed to ensure that the company has implemented CSR and done it properly as a form of responsibility and not as a marketing tool.<sup>5</sup>

### CSR in Indonesia

Article 74 of Law No. 40 of 2007 on Limited Liability Companies states that every company engaged in natural resources is required to carry out corporate social responsibility. In this law, the term "TJSL" is used with regard to environmental issues and the surrounding community.<sup>6</sup> Meanwhile, Article 15, letter b, of Law No. 25/2007 on Capital Investment states that every company is obliged to carry out corporate social

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<sup>2</sup> Leonita Siwiyanti, *Etika Bisnis Dan Corporate Sosial Responsibility (CSR) Berbasis Nilai* (Deepublish, 2024), [https://www.researchgate.net/publication/382660398\\_ETIKA\\_BISNIS\\_dan\\_CORPORATE\\_SOCIAL\\_RESPONSIBILITY\\_CSR\\_BERBASIS\\_NILAI](https://www.researchgate.net/publication/382660398_ETIKA_BISNIS_dan_CORPORATE_SOCIAL_RESPONSIBILITY_CSR_BERBASIS_NILAI).

<sup>3</sup> Bambang Rudito and Melia Famiola, *CSR : Corporate Social Responsibility / Bambang Rudito ; Melia Famiola* (Bandung: Rekayasa Sains, 2019), <https://perpustakaan.binadarma.ac.id/opac/detail-opac?id=8783>.

<sup>4</sup> Siwiyanti, *Etika Bisnis Dan Corporate Sosial Responsibility (CSR) Berbasis Nilai*; Rudito and Famiola, *CSR : Corporate Social Responsibility / Bambang Rudito ; Melia Famiola*.

<sup>5</sup> Lisa Ovelia and Ida Bagus Ketut Bayangkara, "Analisis Implementasi Tanggung Jawab Sosial Dan Lingkungan Dalam Laporan Tahunan Terintegrasi PT Indonesia Infrastructure Finance Tahun 2023," *GEMILANG: Jurnal Manajemen dan Akuntansi* 5, no. 3 (May 20, 2025): 124–138, <https://jurnal-stiepari.ac.id/index.php/gemilang/article/view/2176>; Asrul Nur Iman and Dina Kristina, "Implementasi Kebijakan Tanggung Jawab Langsung Sosial Dan Lingkungan Pada Airnav Indonesia Cabang Matse (Makassar Air Traffic Service Center)," *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)* 7, no. 2 (May 13, 2023): 62–74, <https://journal.stiemb.ac.id/index.php/mea/article/view/3013>.

<sup>6</sup> Nindyo Pramono, *Hukum Perseroan Terbatas*. Sinas Grafika, Jakarta. P.326

responsibility. These two laws emphasize that CSR is not voluntary but a legal obligation that must be implemented and can be enforced.<sup>7</sup>

Indonesia has adopted ISO 26000 into the Government Regulation No. 47/2012 on Social and Environmental Responsibility of Limited Liability Companies. Then the implementation of CSR activities is regulated by regional regulations in each district/city.

### **CSR in ASEAN Countries**

In global standards, there are several guidelines for CSR implementation, such as the UN Guiding Principles on Business and Human Rights (UNGPs), ISO 26000 and Environmental, Social and Governance Frameworks (ESG Frameworks). The UN Guiding Principles on Business and Human Rights (UNGPs) are guidelines issued by the United Nations that emphasize the responsibility of companies to respect human rights and multi-stakeholder involvement. UNGPs with three pillars, namely the state that must protect human rights, companies implementing CSR with respect for human rights, and protection of the rights and obligations of each interest.

ISO 26000 is an international standard for companies to implement CSR.<sup>8</sup> ISO 26000 was developed by the ISO Working Group on Social Responsibility (WG SR) in 2010 to provide guidance and is not mandatory and is not certified. ISO 26000 is only a reference to improve the implementation of social responsibility, and there is no legal obligation to implement it. The ESG Framework, or Environmental, Social and Governance Framework, is a framework for companies and governments to evaluate work practices and organizational performance in environmental sustainability programmes and business ethics.

Several ASEAN countries have implemented the basic principles and guidelines of global standards of CSR; for example, ISO 26000 has been implemented in

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<sup>7</sup> Sunaryo Sunaryo, "Corporate Social Responsibility (CSR) Dalam Perspektif Pembangunan Berkelanjutan," *FIAT JUSTISIA: Jurnal Ilmu Hukum* 7, no. 1 (October 26, 2015), <https://jurnal.fh.unila.ac.id/index.php/fiat/article/view/363>.

<sup>8</sup> ISO, "ISO 26000:2010 Guidance on Social Responsibility," *International Organization for Standardization*, last modified 2010, <https://www.iso.org/iso-26000-social-responsibility.html>.

Indonesia, Malaysia, Singapore, Thailand, and the Philippines.<sup>9</sup> Malaysia does not explicitly mention CSR monitoring and enforcement activities, but the Malaysian stock exchange requires listed companies to report under the ESG framework and ISO 26000 guidelines.<sup>10</sup> The Malaysian stock exchange is the largest stock exchange in ASEAN. However, the more commonly used standards in Malaysia are the Task Force on Climate-Related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).<sup>11</sup> In Malaysia, CSR is voluntary, and the Malaysian stock exchange encourages CSR reporting.

CSR in Singapore is voluntary, but the government strongly encourages sustainability and requires companies to report under the ESG framework in the Singapore Exchange (SGX) Sustainability Reporting Requirements. Meanwhile, in Thailand, there is no specific regulation on CSR, but government policies adopt the ESG system.

### **ASEAN CSR Network**

The ASEAN CSR Network (ACN) is an accredited ASEAN organization that examines comparative sustainability reporting practices in six ASEAN countries, namely Indonesia, Singapore, Thailand, Philippines, Malaysia, and Vietnam. ACN is a regional platform that supports CSR in South-east Asia. Recognition of ACN's function is demonstrated by its status as an officially accredited non-governmental organization in ASEAN, which makes it the only ASEAN-recognized non-governmental organization to address CSR issues across ASEAN.<sup>12</sup>

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<sup>9</sup> Centre for Governance and Sustainability (CGS) & ASEAN CSR Network (ACN), *Corporate Sustainability Reporting in ASEAN Countries* (Singapore: NUS Business School, National University of Singapore, 2020), <https://bschool.nus.edu.sg/cgs/wp-content/uploads/sites/7/2021/07/ACN-CGS-Corporate-Sustainability-Reporting-in-ASEAN-Countries-Report-2020.pdf>.

<sup>10</sup> Munirah, "Malaysia's New ESG Reporting Standards: What Businesses Need to Know," *SDG Malaysia*, last modified 2025, <https://sdgmalaysia.com/malaysias-new-esg-reporting-standards-what-businesses-need-to-know/>.

<sup>11</sup> Ibid.

<sup>12</sup> Mohammad Husni Syam et al., "Corporate Social Responsibility in ASEAN: Case Study ASEAN CSR Network," in *Proceedings of the 2nd Social and Humaniora Research Symposium (SoRes 2019)* (Paris, France: Atlantis Press, 2020), <https://www.atlantispress.com/article/125935330>.

Sustainability reporting performance is defined as a company's disclosure of non-financial information to stakeholders. This reporting is a company's commitment to ensuring sustainability programs in their business. In the ASEAN CSR Network report, Corporate Sustainability Reporting in ASEAN Countries in 2020, it is stated that corporate awareness of sustainability issues in ASEAN countries continues to increase with growing economic growth and concerns about food security issues, marine and air pollution, and climate change.<sup>13</sup> Companies in ASEAN countries generally show high performance in reporting principles with an average score of 57% compared to an average reporting content of 32%.<sup>14</sup> Regulations are being issued in an effort to encourage more reporting and disclosure of sustainability-related activities and global market pressures for improved corporate performance on economic, environmental, social, and corporate governance (EESG) reporting.<sup>15</sup>

The reporting data is presented in the following table 1:

**Table 1.** Distribution of Principles and Content in ASEAN Sustainability Reporting

Principle		
	Materiality	70%
	Risk and opportunity	62%
	Stakeholder engagement	61%
	Board governance	41%
Content		
	Reporting networks	50%
	Performance data	36%
	assurance	13%

<sup>13</sup> Centre for Governance and Sustainability (CGS) & ASEAN CSR Network (ACN), *Corporate Sustainability Reporting in ASEAN Countries*.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

**Table 2.** Overall Score for Sustainability Reporting<sup>16</sup>

Country	Sustainability Reporting Score
1. Singapore	68,7%
2. Malaysia	57,5%
3. Philippines	45,8
4. Thailand	42,7%
5. Indonesia	36,0%
6. Vietnam	28,8

Singapore has the highest level of reporting compliance with international standards disclosed through the Singapore Exchange (SGX). Singapore and Malaysia have stricter regulations in sustainability reporting, while Indonesia and Thailand still face challenges in harmonizing regulations with international standards.<sup>17</sup> ASEAN countries need to improve sustainability reporting standards, especially in terms of business governance and stakeholder engagement.

### **Legal Harmonization and Cross-Jurisdictional Implementation Challenges**

The concept of harmonizing CSR laws is to align the basic principles of CSR regulations without changing the laws of the country to make them more consistent and effective. The challenge of using global guidelines, namely the UN Guiding Principles on Business and Human Rights (UNGPs), ISO 26000 and Environmental, Social and Governance Frameworks (ESG Frameworks), needs to be agreed upon multilaterally on certain legal aspects in international agreements.

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<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

## RESEARCH METHODOLOGY

This study applies a normative juridical methodology combined with comparative techniques in evaluating Indonesia's Corporate Social Responsibility (CSR) monitoring and enforcement system compared to ASEAN countries such as Malaysia, Thailand, and Singapore. The choice of methodology is based on the orientation of the study towards legal regulations, policy frameworks, and international standards that cover CSR and the level of effectiveness of its implementation within the framework of regional and global harmonization.<sup>18</sup>

The application of the comparative method refers to the analytical framework constructed by Zweigert and Kötz (2011), which emphasizes a systematic comparison of the functional, structural, and effectiveness aspects of different legal systems in order to detect similarities, disparities, and best practices worth adopting.<sup>19</sup> This comparative framework integrates three key dimensions: normative aspects (review of legal regulations), institutional aspects (architecture and oversight mechanisms), and functional aspects (effectiveness of law enforcement).

Primary data materials include national legal products from each country studied, including Law No. 40 of 2007 and Government Regulation No. 47 of 2012 for the Indonesian context, plus international standards such as the UN Guiding Principles on Business and Human Rights, ISO 26000, and ESG frameworks published by the World Bank and OECD.<sup>20</sup> Meanwhile, secondary data materials were collected through a systematic literature review of reputable academic journals and official publications of

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<sup>18</sup> Soerjono Soekanto and Sri Mamuji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat* (Jakarta: Rajawali Pers., 2015), [https://library.walisongo.ac.id/slims/index.php?id=7000&p=show\\_detail](https://library.walisongo.ac.id/slims/index.php?id=7000&p=show_detail).

<sup>19</sup> Konrad Zweigert, Hein Kötz, and Tony Weir, *An Introduction to Comparative Law*, 2nd ed. (Oxford: Oxford University Press, 1987), <https://www.amazon.com/Introduction-Comparative-Law-Institutions-Private/dp/019825606X>.

<sup>20</sup> J. G. Ruggie, *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework* (United Nations Human Rights Council, 2011), [https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf).

international institutions with searches through Scopus, Web of Science, and Google Scholar for the 2015-2024 timeframe.<sup>21</sup>

Data collection techniques were operationalized through documentary studies to examine legal documents, policies, and official reports, accompanied by case study analysis to provide empirical context for the implementation of CSR regulations in the field.<sup>22</sup> The data analysis process used qualitative content analysis techniques with a combined deductive-inductive approach, where the deductive component examines compliance with international standards while the inductive component identifies emerging patterns and best practices.<sup>23</sup>

The analytical framework adopts the “regulatory effectiveness” model formulated by Baldwin, Cave, and Lodge (2012) by evaluating regulatory effectiveness through five parameters: clarity of objectives, appropriateness of instruments, implementation capacity, accountability, and legitimacy.<sup>24</sup> Research validity is ensured through triangulation of data sources by comparing information from formal regulations, implementation reports and empirical case studies. Research limitations include a focus on four ASEAN countries and reliance on secondary sources, but country selection is based on the representativeness of diverse legal systems and varying levels of economic development, resulting in a comprehensive picture of CSR harmonization challenges in the ASEAN region.

## RESULT AND DISCUSSION

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<sup>21</sup> Richard J. Torraco, “Writing Integrative Literature Reviews,” *Human Resource Development Review* 15, no. 4 (December 25, 2016): 404–428, <https://journals.sagepub.com/doi/10.1177/1534484316671606>.

<sup>22</sup> Glenn A. Bowen, “Document Analysis as a Qualitative Research Method,” *Qualitative Research Journal* 9, no. 2 (August 3, 2009): 27–40, <https://www.emerald.com/insight/content/doi/10.3316/QRJ0902027/full/html>.

<sup>23</sup> Philipp Mayring, “Qualitative Content Analysis,” *Forum: Qualitative Social Research* 1, no. 2 (2000), <https://www.qualitative-research.net/index.php/fqs/article/view/1089/2386>.

<sup>24</sup> Robert Baldwin, Martin Cave, and Martin Lodge, *Understanding Regulation: Theory, Strategy, and Practice*. Oxford University Press, 2nd ed. (New York: Oxford University Press Inc., 2011), <https://global.oup.com/academic/product/understanding-regulation-9780199576081>.

## **Regulatory Gaps in Supervision and Enforcement of CSR Violations between Indonesia and ASEAN Countries**

### **Regulations in Indonesia**

In Indonesia, the rules of CSR obligations are mentioned in many laws. Law No. 40 of 2007 on Limited Liability Companies, Article 74 at number (1), states that companies whose business activities are in the field of and/or related to natural resources are obliged to implement social and environmental responsibility. Point (2) states that social and environmental responsibility is an obligation. In point (3), companies that do not carry out these obligations will be subject to sanctions in accordance with statutory provisions. As a follow-up to this law, Government Regulation No. 47/2012 on Social and Environmental Responsibility of Limited Liability Companies was issued. This regulation only regulates the implementation of CSR but does not clearly state what sanctions are for companies that do not implement CSR.<sup>25</sup>

Law No. 25/2007 on Capital Investment does not limit companies with business activities in the field of natural resources, but every investor is obliged to carry out social responsibility. This is stated in Article 15, letter b, that every investor is obliged to implement corporate social responsibility. Meanwhile, Article 16, letter d, states that every investor is responsible for environmental sustainability. In this law, sanctions for investors who do not implement CSR activities are only in the form of administrative sanctions.<sup>26</sup>

Law No. 19/2003 on State-Owned Enterprises does not mention the term CSR or TJSL but only mentions fostering small businesses or cooperatives around the company. Article 88 states that SOEs can set aside part of their net profit for the

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<sup>25</sup> Ardi Armandanu, Firdaus Firdaus, and Dasrol Dasrol, "Tinjauan Normatif Penerapan Sanksi Kepada Perusahaan Yang Tidak Menjalankan Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility)," *Jurnal Online Mahasiswa Fakultas Hukum Universitas Riau* 3, no. 2 (2016), <https://www.neliti.com/id/publications/185495/tinjauan-normatif-penerapan-sanksi-kepada-perusahaan-yang-tidak-menjalankan-tang>.

<sup>26</sup> Ibid.

purposes of fostering small businesses/cooperatives and fostering communities around SOEs. Then in article 90, it is stated that SOEs, within the limits of propriety, can only make donations for charity or social purposes in accordance with the provisions of laws and regulations. This law has not been amended and is not in line with Law No. 40/2007 and Law No. 25/2007.

Law Number 3 of 2020 concerning Amendments to Law Number 4 of 2009 concerning Mineral and Coal Mining does not specifically mention CSR or TJSL. This law only mentions environmental preservation in planning mining activities and empowering communities around mining. Sanctions for violations of mining activities mentioned in Article 105, paragraph (2), are in the form of administrative sanctions. The absence of regulations on other sanctions for violating companies causes juridical problems.<sup>27</sup> In addition, the inconsistent mention of the term CSR causes multiple interpretations and makes it difficult to regulate CSR.<sup>28</sup>

The Financial Services Authority (OJK) and the Ministry of Environment and Forestry (MoEF) conduct CSR supervision, but there are still shortcomings in supervision and reporting.<sup>29</sup> Financial Services Authority Regulation No. 51/PJOK.03/2017 mandates that financial services institutions, issuers and public companies develop and submit sustainability financial actions and submit and disclose their sustainability reports.

### **ASEAN Country CSR Regulations**

#### *Malaysia*

Although the Companies Act 2016 in Malaysia does not provide a comprehensive framework for corporate social responsibility (CSR), it encourages companies to acknowledge and disclose relevant aspects of their social and environmental

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<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ratna Artha Windari and Yetty Komalasari Dewi, "Evaluating Mandatory Corporate Social Responsibility Disclosure Policies and Sustainability Development Goals Achievement in Indonesia," *Yustisia Jurnal Hukum* 13, no. 1 (April 29, 2024): 1, <https://jurnal.uns.ac.id/yustisia/article/view/81940>.

responsibilities. Malaysia adopts a voluntary approach to Corporate Social Responsibility (CSR), primarily implemented through the Malaysian stock exchange, which mandates listed companies to report on their sustainability practices and promotes the integration of CSR into core business strategies.<sup>30</sup> The Malaysian stock exchange and Securities Commission Malaysia oversees ESG reporting, but there are no legal sanctions for companies that do not implement CSR. Since 2015, the Malaysian stock exchange has required Public Listed Companies (PLCs) to include a Sustainability Statement in their annual reports. This requirement is continuously updated, with the aim of better alignment with global reporting standards such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which will be implemented in phases until fiscal years ending on or after December 31, 2025.<sup>31</sup>

The Malaysian Code on Corporate Governance (MCCG), issued by the Securities Commission Malaysia (SC), encourages companies to integrate sustainability and corporate social responsibility (CSR) into their core strategies. Although the MCCG is not legally binding, it provides an influential framework of governance principles that listed companies are expected to adopt. The SC, as Malaysia's principal capital market regulator, exercises oversight over the Malaysian stock exchange and other capital market participants.

A comparative analysis with Malaysia shows that, while Malaysian methods encourage corporate accountability and transparency, "challenges in enforcement, resource limitations among SMEs, and gaps between policy and actual practice hamper overall effectiveness." This suggests that, while the framework is in place, implementation and enforcement remain difficult.<sup>32</sup>

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<sup>30</sup> Bursa Malaysia, *Integrated Annual Report : Value Creation Through Your Multi-Asset Exchange Creating Opportunities, Growing Value*, 2024, <https://www.investmalaysia.gov.my/media/q4rfissp/bursa-malaysia-integrated-annual-report-2024.pdf>.

<sup>31</sup> Ibid.

<sup>32</sup> Riska Septi Ariani, Hwihanus Hwihanus, and Fernianda Wahyu Ramadanthi, "Development of Corporate Social Responsibility Implementation (Study in Indonesia and Malaysia)," *Journal of*

*Thailand*

Regulation in Thailand refers to the National Action Plan on Business and Human Rights (NAP BHR), which refers to the UN Guiding Principles on Business and Human Rights (UNGPs). Compared to Indonesia, CSR is not mandatory but encouraged by regulatory agencies using CSR implementation guidelines. The Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) of Thailand have actively encouraged companies on the stock exchange to implement CSR. To achieve this goal, the SEC has established a working group and in 2008 issued the "Corporate Social Responsibility Guidelines" to guide companies in implementing CSR concepts. In addition, the SET issued guidelines on social responsibility and sustainability reporting, and they have contributed to ESG disclosure by providing various tools and guidelines, including the Corporate Sustainability Guide and Sustainability Reporting Guide.<sup>33</sup> In addition, SET continues to work with global organizations such as GRI and CDP to improve the quality of sustainability reporting.

Although the SET and SEC do not directly impose legal sanctions for violations of CSR substance, failure to report or errors in the report in accordance with the guidelines set by the SET may impact the company's reputation and investor confidence. Society tends to support responsible companies and boycott those that do not follow the guidelines.<sup>34</sup>

There is no general CSR law that mandates CSR implementation or disclosure for all companies; rather, CSR regulations are incentivized and guided by the SET and SEC. Reporting is voluntary, but there is a strong push for disclosure and reporting due to market pressures. Violations of CSR substance are not explicitly regulated in the general CSR framework but under sectoral laws.

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*Economics, Assets, and Evaluation* 1, no. 4 (June 21, 2024): 10, <https://economics.pubmedia.id/index.php/jeae/article/view/346>.

<sup>33</sup> Sustainable Stock Exchange Initiative (SSE), "Stock Exchange of Thailand," *Sustainable Stock Exchange Initiative (SSE)*, last modified 2025, <https://sseinitiative.org/stock-exchange/set>.

<sup>34</sup> Nuntana Udomkit, "CSR Analysis: A Reflection from Businesses and the Public in Thailand," *Journal of Management and Sustainability* 3, no. 2 (March 20, 2013), <http://www.ccsenet.org/journal/index.php/jms/article/view/24022>.

*Singapore*

Unlike Indonesia and other ASEAN countries, Singapore's regulations do not explicitly require extensive CSR implementation, but they do regulate disclosure and reporting with good governance. Singapore uses a market approach through the Singapore Exchange (SGX) and requires listed companies to report on sustainability.

Under SGX Listing Rule 711A, from 2023, every company listed on the Singapore Exchange (SGX) must produce an annual sustainability report focusing on Environmental, Social, and Governance (ESG) factors. The "comply or explain" principle is the basis of this reporting. This means that companies must provide information on their sustainability practices or the reasons they do not comply. This strongly encourages public companies to think about and report on their CSR practices.<sup>35</sup> SGX holds listed companies accountable for complying with the rules and requirements in reporting. Non-compliant reporting may result in disciplinary sanctions from the SGX. The Accounting and Corporate Regulatory Authority (ACRA) supervises companies to follow accounting and corporate governance standards and oversees sustainability reporting.<sup>36</sup>

There is no specific enforcement mechanism for CSR violations. Market pressure makes companies disclose their sustainability reporting. The ESG performance of companies is increasingly attracting the attention of Singapore investors. Companies that have strong sustainability practices and disclosures tend to be more attractive to investors as they have strong incentives to do CSR properly. This turns into "indirect" enforcement through the market. Violations of CSR, e.g., environmental pollution and labor rights violations, are dealt with under the relevant sectoral laws (environmental laws, labor laws, etc.), not under CSR laws.

The impact of different regulations on the consistency of CSR implementation in the ASEAN region is that there are variations in the definition of CSR implementation.

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<sup>35</sup> Singapore Legal Advise, "Singapore Legal Advise," <https://singaporelegaladvise.com/>.

<sup>36</sup> Accounting and Corporate Regulatory Authority (ACRA), "Tren Dan Arah Sustainability Report Indonesia Di Masa Mendatang."

Indonesia has mandatory CSR regulations, especially for companies in the natural resource sector. Malaysia and Singapore rely more on market mechanisms, with investor pressure as the main compliance factor, while Thailand has more structured regulations but still faces challenges in enforcement.

In reporting, Singapore and Malaysia apply strict standards in reporting; Indonesia and Thailand still face challenges in harmonizing regulations with international standards such as ISO 26000 and UN Guiding Principles on Business and Human Rights (UNGPs). ASEAN countries have not yet fully adopted sustainability reporting standards such as GRI Standards or the Task Force on Climate-related Financial Disclosures (TCFD). The supervisory agencies of Indonesia's Financial Services Authority (OJK) and Thailand's Securities and Exchange Commission (SEC) still face challenges in monitoring companies' compliance with CSR regulations. There is no strong legal mechanism to take action against companies that do not implement CSR according to regulations.

### **Illustrative Case Studies**

#### **PT Freeport Indonesia – Environmental Impacts and CSR**

PT Freeport Indonesia has faced criticism regarding the environmental impacts of its mining operations in Papua. Despite the company's CSR program, many reports cite environmental impacts as a major concern as well as labor/local community rights. Issues related to Freeport Indonesia's operations (and those of other mining companies) have been ongoing for decades, with incidents and lawsuits emerging regularly. Despite improvements, criticisms of environmental and social impacts are frequent.

PT Freeport Indonesia, a subsidiary of Freeport-McMoRan (USA), one of the world's largest copper and gold mining companies. Its operational area is located in Mimika Regency, Central Papua Province. Supervision by the Government of Indonesia through the Ministry of Environment and Forestry (MoEF) oversees companies' compliance with environmental regulations. KLHK, the Ministry of Energy and Mineral Resources, and the Ministry of Manpower have roles in overseeing

compliance. Local and international NGOs (e.g., WALHI, JATAM, Amnesty International) consistently monitor and report on the impacts of mining operations.

#### *Law Enforcement*

Sanctions for environmental violations are weak, with more pressure from civil society and environmental organizations. Enforcement tends to be complex due to the scale of operations and economic contribution of companies. Actions may include environmental audits, negotiations for improved practices, or sanctions if there are clear violations of environmental or labor laws. This case highlights the complexity between economic, environmental, and social interests, where enforcement must balance multiple factors. Often, mediation and compromise approaches are part of the solution, in addition to formal enforcement.

#### **Migrant Labor Rights Violations in the Rubber Glove Industry (Forced Labour), Malaysia**

This issue rose significantly in 2020-2021 amid the COVID-19 pandemic, although the problem had existed before. Violations were committed by several large rubber glove manufacturers, such as Top Glove and Hartalega, and factories in Malaysia, especially in states such as Selangor and Negeri Sembilan, which are global suppliers.

#### *Oversight*

Enforcement mainly comes from international pressure, particularly from US Customs (CBP), which issued Withhold Release Orders (WROs) banning the import of products from these companies due to allegations of forced labor. International labor organizations and NGOs have also been very active in exposing this practice. The Malaysian government, through the Ministry of Human Resources (MoHR) and the Department of Manpower Peninsular Malaysia (JTKSM), conducted investigations and audits following international pressure.

#### *Enforcement*

The most effective enforcement comes from international trade sanctions and lawsuits in Malaysia (for example, fines under the Workers' Minimum Standards of

Housing and Amenities Act 1990). This case shows how CSR monitoring and enforcement can be driven by external pressures (international markets and human rights), which then force domestic regulators to act more decisively. The Malaysian stock exchange is also indirectly affected, as these issues can affect the reputation and share price of listed companies.

### **Environmental and Health Conflicts Over the Mae Moh Coal Plant, Thailand**

This conflict has been ongoing for decades, with significant lawsuits reaching a peak in the early 2000s and 2010s. Electricity Generating Authority of Thailand (EGAT): EGAT is the state-owned power company that operates the Mae Moh Coal-fired Power Plant located in Mae Moh District, Lampang Province, Northern Thailand.

#### *Monitoring*

Local affected community groups, environmental NGOs, and academics have consistently monitored the health (respiratory diseases) and environmental (air and water pollution) impacts of the plant's operations. The Pollution Control Department is also involved in monitoring.

#### *Enforcement*

Enforcement is carried out through civil suits by citizens against EGAT, demanding compensation for health and environmental damages. The Supreme Court of Thailand has ruled in favor of the plaintiffs in several cases, ordering EGAT to pay compensation and make repairs. These cases demonstrate the power of citizen suits and the ability of the Thai judicial system to enforce environmental and public health rights against state-owned companies, which is an important aspect of CSR.

### **Companies in the Thailand Sustainability Index (THSI) that do not meet the criteria of the reporting guidelines (General Study)**

Companies listed on the Stock Exchange of Thailand (SET) that seek to enter or maintain their position in the THSI index. Periodically since the launch of the THSI index by the SET in 2015 in the Thai capital market.

*Monitoring*

SET and SEC Thailand encourage companies to disclose their ESG performance as per the guidelines. Companies are analyzed by an independent agency based on sustainability criteria for inclusion in the THSI index.

*Enforcement*

Enforcement is more incentive and reputational in nature. Companies that do not meet the sustainability criteria or do not adequately disclose information will not be included or will be excluded from the THSI index. This may affect their access to ESG-focused investors and their reputation in the market. This is a strong example of market-based enforcement, where poor CSR performance (or poor disclosure) has financial and reputational consequences, rather than through direct legal fines.

**Sustainability Reporting Compliance by SGX-Listed Companies (General Study)**

It has been an ongoing process since sustainability reporting obligations were enacted and updated by SGX, with the latest rules taking effect from 2023. These rules apply to all companies listed on the Singapore Exchange (SGX), Singapore's capital market.

*Monitoring*

SGX closely monitors companies' compliance with the SGX Listing Rules, including sustainability disclosure requirements. They provide extensive guidance and resources to assist companies.

*Enforcement*

Primary enforcement is through exchange and reputational pressure. If a company fails to comply with reporting requirements (for example, does not report or reports inaccurately), SGX may issue a public reprimand, request clarification, or even suspend trading in the shares if the violation is particularly serious. Pressure from ESG-focused global investors is also becoming strong enforcement. This is a prime example of disclosure- and market-based enforcement, where transparency and reputation become key tools to encourage companies to be responsible in their ESG aspects.

This case study highlights that "CSR law enforcement" in ASEAN does not necessarily mean the existence of dedicated "CSR courts" or "CSR police." Rather, it materializes through the enforcement of existing environmental, labor, corporate governance, or capital market laws, as well as through market and reputational pressures.

### **Challenges of Harmonizing Indonesian Local Regulations with Global Standards (UN Guiding Principles, ISO 26000, ESG)**

In monitoring and prosecuting CSR violations, it is necessary to harmonize Indonesia's local regulations with the global standards of the UN Guiding Principles, ISO 26000, and ESG. Indonesia issued mandatory CSR regulations compared to ASEAN countries such as Malaysia, Thailand, and Singapore, which are voluntary with a market pressure approach for companies to implement CSR with the guidance of the Global Standards UN Guiding Principles, ISO 26000, and ESG.

Although Indonesia has some policies relating to human rights in business, there are no laws that explicitly adopt the UNGPs standards. There is no clear procedure for due diligence in business relating to human rights when there are labor violations. There are limited grievance mechanisms available for victims of human rights violations committed by companies.<sup>37</sup>

CSR practices in Indonesia are still philanthropic, although Law No. 40/2007 on Limited Liability Companies and Government Regulation No. 47/2012 make CSR mandatory, while ISO 26000 is voluntary and emphasizes broader social responsibility, including human rights and environmental sustainability.<sup>38</sup>

Indonesia has developed several ESG-related regulations, such as POJK No. 51/2017 on Sustainable Finance, Perpres No. 59/2017 on Achieving the Sustainable Development Goals, and POJK No. 14 Year 2023 on Carbon Trading through Carbon Exchanges. ESG regulations in Indonesia are still scattered and not yet fully integrated with global standards such as the

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<sup>37</sup> Yuman Nur Rozak, "Tanggung Jawab Sosial Perusahaan Bukan Sumber Daya Alam Dalam Perspektif ISO 26000," *Jurnal Lex Renaissance* 6, no. 1 (January 1, 2021), <https://journal.uui.ac.id/Lex-Renaissance/article/view/20898/pdf>.

<sup>38</sup> Ibid.

Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI). ESG is mostly applied in the financial and energy sectors, while other sectors still face challenges in implementation.<sup>39</sup>

Indonesia has taken steps to align CSR and ESG laws with global standards, but there are still issues with law integration, supervision, and enforcement. More robust supervision mechanisms are needed to improve harmonization while providing business incentives for companies to follow global standards and alignment with international standards such as GRI, TCFD, and UNGP.

### **Legal, Administrative, and Cultural Barriers**

Indonesia adheres to a civil law legal system, while many international standards are developed in a common law legal system, which affects differences in interpretation and application of regulations.<sup>40</sup> Civil law countries rely more on written laws, so CSR regulations tend to be more rigid and formal, such as in Indonesia, where CSR is mandated in Law No. 40/2007. In contrast, common law countries tend to be more flexible in adapting voluntary CSR principles such as those advocated in ISO 26000 and the UN Guiding Principles (UNGPs).

Before CSR violations can be sanctioned, violations in civil law must be regulated in specific laws. As a result, enforcement mechanisms can be ineffective if a new issue arises and has not been addressed. Legal precedents can be used to penalize CSR violations at common law, which allows for a more flexible approach to conforming to international standards. ISO 26000 and the UNGPs are often soft law-based, which fits better with the common law system as it allows for broad interpretation by the courts. Meanwhile, civil law tends to find it more difficult to adopt international standards without clear legal revisions.

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<sup>39</sup> Satu Platform, “Daftar Kebijakan Dan Peraturan Terkait ESG Di Indonesia,” *Satu Platform*, last modified 2024, <https://blog.satuplatform.com/daftar-kebijakan-dan-peraturan-terkait-esg-di-indonesia/>; Asia Business Law Journal, “A Regional Comparison of ESG Regulations: Indonesia,” *Asia Business Law Journal*, last modified 2023, <https://law.asia/comparison-of-esg-regulations-indonesia/>.

<sup>40</sup> Henry Aspan et al., “Legal Mechanisms for Business Accountability: A Comparison of Soft and Hard Law in Indonesia,” *Law Reform* 20, no. 2 (2024): 353–382, <https://ejournal.undip.ac.id/index.php/lawreform/article/view/59273>.

Administratively, the obstacle is that CSR regulations are scattered across various regulations without clear coordination between relevant ministries and agencies.<sup>41</sup> Meanwhile, the Ministry of Environment and Forestry (MoEF) and the Financial Services Authority (OJK) still have difficulty monitoring companies' compliance with CSR regulations.<sup>42</sup> Meanwhile, not all companies have the financial incentive to adopt global standards such as ISO 26000 or UNGPs.<sup>43</sup>

Many companies focus more on short-term profits than long-term sustainability.<sup>44</sup> This is because many companies, especially SMEs, still face challenges in understanding and implementing philanthropy-oriented sustainability standards, while international standards emphasize broader social responsibility.<sup>45</sup>

### Impact

The impact of regulatory disharmony with the UN Guiding Principles on Business and Human Rights (UNGPs) is that human rights are not protected, causing weak protection of workers' rights, exploitation of labor, especially those related to natural resources (manufacturing and mining sectors), and protection of the environment.<sup>46</sup> There is no protection system for communities to report human rights violations by companies. Lack of transparency in business, as there are no clear reporting standards, makes it difficult to assess the social impact of company operations.

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<sup>41</sup> Patricia Rinwigati Waagstein, "The Mandatory Corporate Social Responsibility in Indonesia: Problems and Implications," *Journal of Business Ethics* 98, no. 3 (February 14, 2011): 455–466, <http://link.springer.com/10.1007/s10551-010-0587-x>.

<sup>42</sup> Aspan et al., "Legal Mechanisms for Business Accountability: A Comparison of Soft and Hard Law in Indonesia."

<sup>43</sup> Ulya Kencana, Muhammad Sirozi, and Aflatun Muchtar, "Corporate Social Responsibility in Indonesia Law and Legal Validity," *Russian Law Journal* 11, no. 3 (April 27, 2023), <https://russianlawjournal.org/index.php/journal/article/view/1942>.

<sup>44</sup> Waagstein, "The Mandatory Corporate Social Responsibility in Indonesia: Problems and Implications."

<sup>45</sup> Kencana, Sirozi, and Muchtar, "Corporate Social Responsibility in Indonesia Law and Legal Validity."

<sup>46</sup> Proxima, "CSR Indonesia at a Crossroads," *Proxima*, <https://www.proximaresearch.co.id/insights/CSR-Indonesia-at-a-Crossroads/>.

Non-integrated regulations lead to many companies not having clear policies to manage environmental impacts, leading to environmental pollution. In addition, there are many instances of deforestation and ecosystem damage in the plantation and mining industries due to doing their work without considering the long-term impact on the environment, and many companies do not have waste management systems that meet international standards.<sup>47</sup>

### **Implications of Regulatory Misalignment on the Effectiveness of Monitoring and Enforcement of CSR Violations in Indonesia**

Technology and civil society participation play an important role in mitigating CSR violations and improving the effectiveness of monitoring and enforcement. Several applications that utilize technology and digital platforms can be used to store, analyze, and evaluate data for the benefit of mitigating CSR violations.

Utilization of storage systems such as blockchain can be used to ensure customer service (CSR) funds are used as intended and increase stakeholder trust by enabling irreversible recording of CSR transactions. AI technology is used to analyze sustainability data and identify patterns of CSR violations, assisting companies and regulators in data-driven decision-making. IoT sensors can be used to monitor companies' environmental impacts in real-time, such as carbon emissions and energy usage.<sup>48</sup>

Civilians can play a supervisory role in ensuring companies' compliance with standards, such as NGOs and environmental activists, through campaigning and pressuring companies to comply and care for the environment. Creating a community-based platform allows people to report CSR violations directly, thereby increasing corporate accountability. In addition, the role of society, government, and companies is

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<sup>47</sup> Rizky Phyar Saiputra, "Revealing the Role and Challenges of Environmental CSR in Indonesia," *Carbon Ethics*, last modified 2023, <https://www.carbonethics.co/post/revealing-role-and-challenges-of-environmental-csr-in-indonesia>; Proxima, "CSR Indonesia at a Crossroads."

<sup>48</sup> Sper Social, "The Role of Technology in Enhancing CSR Initiatives," *Sper Social*, last modified 2025, <https://www.spersocial.com/Blog/the-role-of-technology-in-enhancing-csr-initiatives>.

to collaborate in CSR implementation and strengthen CSR regulations to ensure more effective implementation.

Strategic recommendations to improve harmonization and effectiveness of supervision are carried out by aligning CSR regulations in Indonesia with ISO 26000 and UN Guiding Principles on Business and Human Rights (UNGPs) to ensure broader sustainability standards. By adopting the GRI Standards and the Task Force on Climate-related Financial Disclosures (TCFD) as references in sustainability reporting. In addition, it is necessary to develop regulations that are more compatible with the ASEAN Guidelines for CSR on Labor to improve policy uniformity in the region in order to harmonize CSR policies at the ASEAN level.

The monitoring mechanism is strengthened by utilizing technology and digital platforms. Conduct periodic audits and evaluations by requiring companies to undergo sustainability audits by independent institutions to ensure compliance with CSR regulations. Strengthen the role of the Financial Services Authority (OJK) and the Ministry of Environment and Forestry (KLHK) in monitoring companies' compliance with CSR regulations.

For violations, not only administrative sanctions but also financial sanctions such as fines and revocation of business licenses are required. Community and stakeholder participation for supervision and collaboration with various stakeholders to mitigate violations. By improving the harmonization of CSR regulations and the effectiveness of supervision through a comprehensive approach, including integration with international standards, strengthening supervisory mechanisms, stricter law enforcement, and active participation of civil society, Indonesia and ASEAN can create a more responsible and sustainable business ecosystem.

### **Implications for Business Practice, Policymakers, and Academics**

The implications of the CSR monitoring and enforcement analysis we have discussed have significant implications for three key stakeholder groups: business practitioners (companies), policymakers (governments and regulators), and academics (researchers and educators).

### **Implications for Business Practice**

For companies, this analysis confirms that CSR is no longer an optional philanthropic practice but a crucial strategic element for sustainability and competitiveness

#### *The importance of compliance and transparency*

Companies should view compliance with CSR regulations (both mandatory and reporting) as imperative. Case studies show that failures in environmental, social, or governance aspects can lead to large fines, lawsuits, reputational damage, and even restrictions on global market access (such as the Top Glove case). Transparency through accurate and verified sustainability reporting (according to standards such as GRI or TCFD) is key to building investor and public trust as well as reducing risk.

#### *Market and Reputational Benefits*

Investments in substantial CSR, as opposed to greenwashing or social washing, can provide both financial (e.g., lower cost of debt) and non-financial (enhanced reputation, customer loyalty, attraction of talent) benefits. Companies that are proactive in CSR and ESG tend to be more resilient to crises and have a competitive advantage.

#### *Proactive Risk Management*

Companies need to proactively identify, assess, and manage environmental, social, and governance risks. This includes ethical supply chains, fair working conditions, responsible waste management, and meaningful community engagement. Failure in any of these areas can trigger regulatory intervention and negative responses from stakeholders.

#### *Innovation and Efficiency*

The adoption of CSR practices, such as energy efficiency or waste management, often drives innovation and operational efficiency, which in turn can reduce costs and improve profitability.

### **Implications for Policymakers**

For governments and regulators, this analysis highlights the importance of striking a balance between a clear legal framework, effective oversight, and incentives that encourage responsible behavior.

#### *Refinement of the Legal Framework*

Policymakers need to re-evaluate the effectiveness of CSR-related laws and regulations. This includes clarifying the scope of CSR obligations, formulating firmer and more consistent sanctions (especially for serious environmental and social violations), and improving enforcement mechanisms (e.g., by strengthening the capacity of agencies such as MoEF or MOM).

#### *Regional and Global Harmonization*

Promoting harmonization of CSR regulations with international standards (UNGPs, ISO 26000) and best practices in ASEAN will make it easier for companies to operate across borders and attract sustainable investments. The comply-or-explain model implemented by SGX and the Malaysian stock exchange can be a reference for the Indonesian capital market in promoting ESG transparency.

#### *More Integrated and Proactive Supervision*

There needs to be better coordination between government agencies in CSR supervision to avoid overlaps and regulatory gaps. The government should also be more proactive in monitoring risks, for example, by utilizing technology to detect environmental or labor violations.

#### *Create Incentives, Not Just Sanctions*

In addition to law enforcement, policymakers need to develop incentives (e.g., financial support, recognition, tax benefits) for companies that perform well on CSR. This will encourage voluntary adoption and innovation in sustainability practices.

### **Implications for Academics**

For researchers and educators, this analysis provides new opportunities for in-depth study and relevant curriculum development.

#### *Further Research on Enforcement Effectiveness*

Academics can conduct more in-depth empirical research on the effectiveness of CSR sanctions and enforcement mechanisms in Indonesia and how they compare to other countries. This includes studies on post-enforcement compliance rates, the impact of sanctions on corporate behavior, and challenges in the execution of court decisions.

#### *Development of CSR Measurement Methodology*

There is a need to develop more sophisticated metrics and methodologies to measure the quality of CSR implementation, not just the amount of disclosure. This can help distinguish between greenwashing and truly sustainable practices.

#### *Cross-Sector and Cross-Country Comparative Studies*

Further research could compare the effectiveness of CSR regulation and enforcement across different industry sectors (e.g., mining vs. manufacturing vs. financial services) and deepen the comparison across ASEAN countries to identify success factors and challenges unique to each context.

#### *Integration of CSR and Sustainability in the Curriculum*

Higher education institutions need to integrate the concepts of CSR, ESG, and sustainable development more comprehensively into business, law, and social science curricula. This will prepare graduates who have a deep understanding of corporate responsibility and are able to implement it in business practices.

#### *Academics' Role in Policy Advocacy*

Academics can play an active role in providing evidence-based input to policymakers for the formulation of more effective and balanced CSR regulations.

### **Suggestions for Future Research**

After comprehensively analyzing CSR supervision and enforcement in Indonesia, Malaysia, Thailand, and Singapore, and looking at the implications, there are several future research directions that can be explored to deepen understanding and make a greater contribution to effective CSR practices in ASEAN.

1. The Role of Public Grievance Mechanisms in Driving CSR Enforcement in Indonesia. Evaluate the effectiveness of existing grievance platforms (e.g., SP4N-LAPOR!, complaints to MoEF/MOM) in triggering investigations and prosecutions of CSR violations.
2. Identify factors that influence the level of public participation and regulatory response. A gap analysis of perceptions of the effectiveness of csr regulations and their enforcement among government, businesses, and affected communities in Indonesia. Identify differences in views on what is considered “effective” in CSR monitoring and enforcement from various stakeholder perspectives. These differences could be key to formulating more accommodating policies.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

CSR regulations in Indonesia are mandatory, especially for companies in the natural resources sector, as stipulated in Law No. 40 of 2007 and Government Regulation No. 47 of 2012. However, the effectiveness of its implementation still faces serious challenges, including the lack of alignment of national regulations with international standards such as GRI Standards and TCFD, weak supervision by authorities such as OJK and KLHK, and lack of coordination between related institutions. Compared to ASEAN countries such as Malaysia, Singapore, and Thailand, which tend to prioritize market-based or incentive-based approaches, Indonesia faces weaknesses in enforcing legal sanctions against CSR violations. Therefore, strengthening a more integrated regulatory framework that is adaptive to global standards, as well as improving the effectiveness of supervision and

enforcement, are important steps to encourage more responsible and sustainable CSR practices in Indonesia.

### **Recommendations**

Based on the comparison of supervision and enforcement of Corporate Social Responsibility (CSR) policies in Indonesia with several ASEAN countries such as Malaysia, Thailand, and Singapore, it can be concluded that Indonesia needs to strengthen its regulatory and institutional framework to make CSR implementation more effective and in line with global practices. First, regulatory harmonization with international standards is needed through the preparation of more integrated and comprehensive CSR regulations, adoption of the comply or explain principle for public companies, and integration of global guidelines such as GRI, TCFD, UNGPs, and ISO 26000 into national policies. Second, supervision and law enforcement must be strengthened through the establishment of a solid inter-agency coordination mechanism, increasing the capacity of supervisory resources, granting stricter enforcement authority, and developing a public complaint system that is easily accessible and provides protection for whistleblowers. Third, substantial and sustainable CSR implementation needs to be encouraged through education and training programs for businesses, especially MSMEs, as well as increased transparency and data verification to prevent manipulative practices such as greenwashing. In addition, utilizing market pressure through sustainability indices and strengthening investor awareness of ESG performance can be an effective indirect incentive. All of these efforts are expected to create a more accountable, impactful, and effective CSR system in the context of sustainable development in Indonesia.

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