

Legal Analysis of Corporate Social and Environmental Responsibility Based on the Principles of Good Corporate Governance (A Case Study of Pt Lontar Papyrus Pulp & Paper Industry)

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Abstract. *Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) are pivotal concepts in sustainable modern corporate management. This study comprehensively examines the definitions, fundamental principles, implementation practices, and interrelationship between GCG and CSR within the Indonesian business context. A normative juridical research method was employed, focusing on the analysis of legal norms and the application of rules within the framework of prevailing positive law. Data were sourced from scientific literature, corporate annual reports, national regulations, and official policy documents pertaining to GCG and CSR. PT LPPPI was selected as a case study to assess the extent to which Corporate Social and Environmental Responsibility (TJSL) obligations translate potential environmental impacts into tangible ecological protection, as well as to determine whether TJSL implementation aligns with GCG principles. The findings demonstrate that GCG—through transparency, accountability, responsibility, independence, and fairness—strengthens the credibility and effectiveness of CSR practices. Field observations confirm that PT LPPPI has implemented TJSL activities, complies with applicable regulations, and applies GCG principles. Nevertheless, continuous evaluation of all TJSL programs is recommended to ensure intended outcomes are achieved and initiatives align with community needs and capacities.*

Keywords: *Corporate; Environmental; Governance; Law; Responsibility.*

1. Introduction

Corporate Social and Environmental Responsibility (TJSL), widely known as Corporate Social Responsibility (CSR), is no longer merely a voluntary instrument of business ethics; rather, it has evolved into a legally binding obligation in Indonesia. Companies are required to balance economic interests (profit) with environmental sustainability (planet) and social welfare (people). The concepts of Good Corporate Governance (GCG) and Corporate Social

Responsibility (CSR) serve as two crucial strategic approaches in addressing these demands. CSR reflects a company's commitment to sustainable development through socially and environmentally responsible practices (Sianturi & Rista, 2025).

GCG constitutes a corporate governance system that ensures the realization of transparency, accountability, responsibility, independence, and fairness in all corporate decision-making. One of the legal foundations for CSR is set forth in Article 47 of Law No. 40 of 2007 concerning Limited Liability Companies, which explicitly stipulates that limited liability companies bear obligations regarding social and environmental responsibility, commonly referred to as CSR. Furthermore, the Law on Environmental Protection and Management reinforces and mandates corporate social responsibility to sustain the viability of all living beings.

Good Corporate Governance (GCG) comprises fundamental principles and guidelines established to ensure proper business conduct, primarily implemented by company directors and management. GCG may be defined as a system of rules and processes that directs and controls an organization to generate added value for stakeholders. It fosters transparent, accountable, and professional management practices, thereby attracting domestic and international investment (Sinduwiatmo & Rochmaniah, 2020). Implementation of GCG in state-owned enterprises is regulated by Decree of the Minister of State-Owned Enterprises No. PER-01/MBU/2011, wherein Article 1(1) defines good corporate governance as principles governing corporate management in accordance with laws, regulations, and business ethics.

PT Lontar Papyrus Pulp and Paper Industry (PT LPPPI) is a natural-resource-based enterprise operating in the forestry downstream sector and highly dependent on forest ecosystem raw materials (Widia, n.d.). The pulp and paper industry frequently faces complex environmental challenges, including deforestation, land tenure conflicts with indigenous communities, carbon emissions, and industrial wastewater management. GCG principles are intended to prevent costly conflicts of interest inherent in corporate governance; as distinct legal entities, companies require structured governance frameworks (Auni & Sumriyah, 2023).

This study draws upon relevant literature, including an analysis by Sianturi and Rista (2025) examining the interrelationship between CSR and GCG principles, business applications, and associated benefits and challenges. The present research differs in scope and focus, emphasizing the juridical dimensions of CSR and GCG principles within natural-resource-based industries with direct environmental impacts. Its novelty lies in evaluating GCG implementation in TJSL practices at PT Lontar Papyrus Pulp and Paper Industry. As a high-impact natural-resource-based enterprise, PT LPPPI has developed a Sustainability Roadmap to mitigate ecological harm and fulfill social obligations. However, the effectiveness of this framework requires juridical assessment, centered on the question: *To what extent do current programs conform to prevailing legal standards and GCG principles?* Addressing the imperative of CSR/TJSL compliance, this article presents a juridical analysis of corporate social and environmental responsibility under Good Corporate Governance principles—A Case Study of PT Lontar Papyrus Pulp and Paper Industry.

2. Research Methods

This study employs a normative legal approach, focusing on the regulation of social and environmental responsibility in accordance with the principles of Good Corporate Governance within a natural-resource-based enterprise a case study of PT Lontar Papyrus Pulp & Paper Industry. The findings of this legal research yield normative recommendations concerning practices that ought to be implemented in line with the examined legal principles and norms (Auliya, 2023). This approach was selected as it emphasises the study of positive law, norms, and principles governing the obligations of business entities in maintaining a balance among economic, social, and environmental interests. Analysis is conducted using the statute approach and the conceptual approach, examining the alignment between applicable legal provisions and their implementation in practice. Primary legal materials include the company's Sustainability Roadmap, annual reports, other corporate documents, Law No. 32 of 2009 regarding Environmental Protection and Management, Law No. 40 of 2007 concerning Limited Liability Companies, and other relevant laws and regulations. Data are collected through library research, encompassing academic literature, legislation, and related legal journals. Analysis is carried out using a descriptive-legal method, a research approach in legal studies that refers to prevailing laws and regulations (Efendi, Jonaedi & Rijadi, Prasetijo, 2022).

3. Results And Discussion

Every living being has the right to a clean and healthy environment. Article 45 Paragraph (1) of the Law on Environmental Protection and Management states that "every person shall have the right to a good and healthy environment as an inherent human right." Regulations concerning Social and Environmental Responsibility (TJSL) in Indonesia are established in various legislative instruments to ensure corporate contributions to sustainable development, including: 1) Corporate Social Responsibility as stipulated in Article 15 letter b of Law No. 25 of 2007 concerning Investment; 2) Social and Environmental Responsibility under Article 1 Number 3 of Law No. 40 of 2007 concerning Limited Liability Companies, which defines such responsibility as a corporate commitment to sustainable economic development aimed at improving the quality of life and environmental well-being for the company, the general public, and local communities. Through sustainable business practices, companies can help maintain ecological balance, reduce their ecological footprint, and support the achievement of the Sustainable Development Goals (SDGs) (Ramadhani et al., 2024).

Good Corporate Governance (GCG) comprises fundamental principles and guidelines that serve as rules for proper corporate conduct. Its implementation is governed by Minister of State-Owned Enterprises Regulation No. PER-01/MBU/2011 on the Application of Good Corporate Governance within State-Owned Enterprises. Article 1 Paragraph (1) defines GCG as "principles underlying corporate management processes and mechanisms in accordance with prevailing laws, regulations, and business ethics." Article 3 of the same regulation sets forth the core principles of GCG: transparency, accountability, responsibility, independence, and

fairness meaning justice and equity in upholding the rights of stakeholders arising from agreements and applicable legislation.

Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) are two key elements in the architecture of a sustainable enterprise. GCG governs internal corporate management to ensure accountability, ethics, transparency, and responsibility, while CSR regulates the company's external relationships with communities and the environment. In practice, CSR embodies the core principles of GCG. Adherence to GCG ensures that social responsibility initiatives are implemented systematically, measurably, and ethically.

This study examines PT Lontar Papyrus Pulp & Paper Industry (PT LPPPI), a natural-resource-based pulp and paper manufacturer established in 1993 and located in Tebing Tinggi District, West Tanjung Jabung Regency, Jambi Province. As an enterprise operating in a resource-intensive sector, PT LPPPI has a strategic role not only in driving regional and national economic growth but also in fostering harmonious relations with neighbouring communities and preserving environmental integrity. The West Tanjung Jabung Regional Government enacted Regional Regulation No. 1 of 2015 concerning the Administration of Corporate Social and Environmental Responsibility. This regulation seeks to advance community welfare and prosperity while sustaining ecological functions as part of regional sustainable development. It delineates the rights and obligations of companies; rights are set out in Article 6, while corporate responsibilities are outlined in Article 7. Required programmes include: a) community and environmental stewardship based on empowerment; b) direct community assistance; and c) partnership with micro, small, and cooperative enterprises. This Regional Regulation serves as the benchmark for assessing whether PT LPPPI complies with statutory requirements and integrates GCG principles. Based on interviews with company directors, document reviews, and field verification, it is concluded that PT LPPPI has implemented social and environmental programmes consistent with Regional Regulation No. 1 of 2015.

PT LPPPI demonstrates commitment to GCG principles transparency, accountability, and responsibility through its Sustainability Roadmap Vision 2030 (SRV 2030), structured around three pillars: production, forests, and people. Progress is documented in annual reports as an expression of transparency and accountability. This framework supports the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change. PT LPPPI also upholds fairness by ensuring equitable treatment of stakeholders through active partnerships with communities and local government in education, health, economic development, and conservation programmes.

Analysis of the *Sustainability Report 2024*, corporate documentation, and interviews with management indicates that structured sustainability planning fulfils TJSL planning obligations under Article 3 of Government Regulation No. 47 of 2012. Disclosure and reporting through annual sustainability publications and roadmaps satisfy transparency requirements stipulated in Financial Services Authority Regulation No. 51/POJK.03/2017 and Article 68 of the Law on Environmental Protection and Management. From a normative legal perspective, TJSL implementation through the Sustainability Roadmap conforms to applicable Indonesian

legislation specifically the Limited Liability Companies Law, Government Regulation No. 47/2012, the Environmental Protection and Management Law, and POJK 51/2017. PT LPPPI complies with TJSL obligations in both formal and substantive terms, integrating relevant regulations into operational policies and procedures subject to ongoing review. The company holds ISO 14001 certification for Environmental Management Systems, first awarded in 1997, transitioning to the 2015 version in 2016, and valid through 2021.

PT LPPPI has implemented Social and Environmental Responsibility (TJSL) activities, demonstrates regulatory compliance, and applies principles of sustainable development. However, to enhance the effectiveness and efficiency of TJSL implementation, internal and external evaluations are recommended to assess the on-site execution of programmes outlined in the Sustainability Roadmap, as well as to measure their environmental and social impacts on communities surrounding the facility. Field data indicate several challenges in programme delivery; therefore, the company should evaluate all TJSL initiatives to determine whether they achieve intended outcomes and respond to actual community needs. Beyond its oversight role, the local government should establish a stronger regulatory framework with enforceable sanctions for business entities particularly those with significant environmental footprints covering licensing, field monitoring, and penalties for non-compliance. For enterprises operating in natural-resource-intensive sectors, fulfilling TJSL obligations and mitigating associated environmental impacts are matters of legal duty.

4. Conclusion

Based on the findings, PT LPPPI has implemented Social and Environmental Responsibility (TJSL) activities, demonstrates compliance with applicable regulations, and applies the principles of Good Corporate Governance (GCG). However, both internal and external evaluations are still necessary to assess the on-the-ground implementation of programmes outlined in the Sustainability Roadmap and to measure their effectiveness in delivering environmental and social benefits to communities surrounding the facility. Field data indicate several challenges in programme delivery, most notably limited human resource capacity within local communities to sustain initiatives facilitated by PT LPPPI. The company should therefore evaluate all TJSL activities to verify whether intended outcomes have been achieved and whether programmes align with community needs and local implementation capacities. For TJSL to be carried out in a targeted manner and in accordance with legal requirements and sustainability principles, the company must engage local communities and government throughout all stages from design and implementation through to outcome evaluation. It is recommended that the West Tanjung Jabung Regency Government, in addition to overseeing corporate TJSL performance, establish a stronger regulatory framework with clear enforcement mechanisms. This framework should cover licensing, field monitoring, and penalties for non-compliance, particularly for enterprises with significant environmental impacts. For entities operating in natural-resource-intensive sectors, fulfilling TJSL obligations and mitigating environmental harm are statutory duties. It is hoped that the company, local

government, and communities will collaborate to advance environmental preservation and social welfare.

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