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Integration of Governance, Risk, and Compliance as Parameters for Determining Business Judgment Rules in Legal Protection Efforts for Directors

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Abstract. *The purpose of this research is to examine the GRC integration as a normative and empirical parameter for the utilization of the doctrine of the Business Judgment Rule (BJR). The integration of GRC acts as a legal safeguard for the Board of Directors in state-owned enterprises (SOEs). This research will utilize the socio-legal approach and empirical qualitative method. Data collection will be done by conducting in-depth interviews and documentation at "Company X" which is the largest SOE in Indonesia. The findings from this study show that the GRC integration at Company X has evolved into a legal parameter which changes the abstract Business Judgment Rule (BJR) doctrine into concrete audit trail evidence. Specifically, the Governance pillar acts as a manifestation of good faith with regards to transparency. The Risk Management pillar manifests the rule of prudence through thorough risk analysis (well-informed). Compliance provides legality for the actions within their jurisdiction (intra vires). This combination of these three has proven to be effective in ensuring that there is enough legal defense put into place for directors of SOEs, thus creating enough legal certainty in the process of making decisions and minimizing criminalization risks from loss making in business.*

Keywords: *Board of Directors; Compliance (GRC); Governance; Integration; Legal Protection; Risk.*

1. Introduction

With growing complexity of the dynamic business environment, the board of directors must be able to make strategic decisions swiftly and correctly amid a highly uncertain market situation (Sidiprasetija & Coandi; 2025). Nonetheless, any decision made by a company involves some risks that may result in losses for the company. This condition often leaves directors open to lawsuits either civilly or criminally when such decisions bring negative consequences for shareholders and

other relevant parties (Afrilia & Bondowoso; 2025). Hence, there needs to be a certain framework of law that would enable differentiating business loss from managerial misconduct.

The Business Judgment Rule (BJR) theory is a key legal protection measure that provides directors from personal liabilities for business losses when decisions are made by using the directors' authority (Akram & Fanaro; 2019). In essence, BJR operates under the assumption that all business decisions are made in good faith and with reasonable care while prioritizing the company's benefit (Priyono et al.; 2022). Despite being incorporated into Article 97 paragraph (5) of Law No. 40 of 2007 on Limited Liability Companies, the application of BJR in Indonesia often poses difficulties with its subjective interpretation in court cases, making its operational parameters more measurable (Noldy; 2026).

As the basis for objectivity in implementing BJR, the integration of concepts like Governance, Risk, and Compliance (GRC) will play a very critical role. Governance is defined as the mechanisms or processes that guide and control companies toward achieving their objectives (Pariela & Hoesein; 2025). In the application of BJR, governance becomes an important tool in ensuring that there is no conflict of interest in decision-making. As such, BJR uses the governance structure of organizations as a way of satisfying the principle of good faith.

Secondly, risk management is the approach used by directors to identify and mitigate risks associated with business objectives. The importance of risk management in BJR cannot be understated because it is a clear indication that the director was prudent. When directors demonstrate that they were able to assess risks before making any decisions, it is clear that they acted on a well-informed basis. This becomes an important aspect in protecting directors under the BJR (Kamilah & Handayani; 2021).

Concurrently, Compliance will ensure that all decisions taken by the company are aligned with all relevant laws, regulations, and internal policy considerations (Khairiyyah & Sugiono; 2025). Legal compliance is an essential criterion for BJR; a decision cannot be considered as a reasonable business decision if there are any aspects of law violation or ultra vires action contained therein. Therefore, the compliance department will act as an external boundary that will ensure that the directors do not exceed the legal threshold (Perdana & Batubara; 2025).

The connection between BJR and GRC is symbiotic and organic; GRC will provide data and empirical proof (audit trail and minutes of meeting) to prove that the organization is complying with all normative criteria of BJR (Kasma & Andersen; 2024). The concurrent integration of all three aspects of GRC will create an ecosystem where decision making becomes disciplined. Without the integration

of all three aspects of GRC, the application of BJR will only provide weak legal argumentation and hard facts to prove it legally (Wicaksana et al.; 2025).

A variety of scholarly studies related to the legal protection of directors via the Business Judgment Rule (BJR) doctrine are evident in academic literature; however, the normative and comparative approach prevails there. In particular, Wardani (2023) focused on a comparative analysis of the application of the Business Judgment Rule (BJR) in Indonesia and Malaysia based on the principle of prudence practiced by the judiciary in both countries. At the same time, Jatna et al. (2025) noted that the need to improve the codification of the BJR principle is evident based on the experience of Malaysia. Conversely, Kurniawan et al. (2025) focused on the vulnerability of SOE directors to accusations of corruption in Indonesia due to the absence of parameters to distinguish purely commercial losses from state losses.

Despite the identification of the legal implications involved in BJR, the connection between BJR and the internal management system of the corporation needs more exploration. The work of Muziardy & Yuniarti (2025) serves as the basis for a well-structured model for integrating GRC with organizational practices, and this ties in with the observations made by Romdaniyah & Rakhman (2025) concerning the important role of risk management in influencing the quality of informed decisions. Nonetheless, an aspect of the current literature has been identified: There are no existing studies that provide empirical proof as to how GRC can serve as legal evidence in establishing BJR. In other words, this study stands out because it incorporates GRC management as the objective criterion for determining the performance of directors' fiduciary duties.

Despite extensive literature on Corporate Governance (BJR), there is a noticeable research gap. The literature is still largely normative-doctrinal and analyzes the provisions of the legislation without accounting for the real situation on the managerial side. There is a lack of empirical research regarding the components of GRC as practical indicators to prove "good faith" and "prudence" in real-life situations. As a result, directors frequently bear personal responsibility for the inability to provide evidence that proves their reasoning behind certain decisions. The uniqueness of this study is that it seeks to transform the traditional approach towards GRC into a juridical-empirical indicator for proving BJR.

Not only does this research conduct a theoretical examination of BJR, but it also performs empirical work to understand how the infrastructure of GRC in firms can be applied effectively as a legal instrument protecting the directors. Such a socio-empirical research is supposed to connect the academic discussion on the corporate law with practice and thus close the gap between the theory and risk management. The key issue to solve in the process of the current research lies in

the analysis of two important issues: first, how the concept of GRC integration is implemented in practice in Company X, which is a state-owned enterprise, and secondly, the building of an objective GRC parameter which could prove the business judgement rule doctrine. Due to the vulnerability of such enterprises when they have to deal with the convergence of business and state financial interests, this research tries to understand how the infrastructure of GRC implemented in Company X could serve as legal proof that directors act with good faith and prudence.

2. Research Methods

The current study employs an empirical legal approach in examining the utilization of GRC as a component of the Business Judgment Rule in SOEs. The research setting involved Company X, which was purposely selected based on its status as a state-owned company that poses complicated legal risks involving possible loss of money by the state. Data for this study was gathered from field studies in the form of in-depth interviews with the members of the Board of Directors, Audit Committee, and Chief Risk Officer. Moreover, secondary data was derived from documentation involving the corporate governance manual, risk profiles, and operational procedures within the company (Efendi et al.; 2016).

The methodology adopted in this study is qualitative in nature, whereby the gathered data was subjected to prescriptive analysis to bridge the gap between field reality and the laws provided for in the Limited Liability Company Law and SOE Law. Content analysis was used to analyze the data in an attempt to determine whether the digital and administrative imprint of integrating GRC at Company X met the threshold of good faith and prudence as dictated by BJR. The findings were then synthesized into a GRC parameterization framework, which may be used as proof of legal protection accorded to BUMN directors. To validate the gathered data, source and data triangulation methods were adopted to provide objective findings in

3. Results and Discussion

3.1. Manifestation of Legal Risk Mitigation for State-Owned Enterprise Directors

The present research has made great contributions towards the development of the corporate law through its suggestion for the GRC-based BJR parameterization model, which can be adopted by various state-owned enterprises (SOEs) to enhance the legal protection of corporate entities. However, the current research has limited scope as it has been conducted on a single firm. As a result, the adoption of the GRC approach in other sectors is likely to involve legal risks depending on the sector of interest. Moreover, the adoption of the parameters by

the court depends largely on the existence of a consensus between the corporate and law enforcement experts on the validity of GRC documentation.

This course on Integrated GRC for SOE Directors and Commissioners seeks to equip them with a strategic and practical perspective in relation to the integration of governance, risk management, and compliance concepts in making critical decisions. It underscores the significance of synergy between the management and supervision in order to make proper management of risks by a company comprehensive and effective, thereby encouraging the establishment of robust internal control systems that enable the creation of accountability in business organizations. With the help of integrated GRC knowledge, both directors and commissioners will be able to perform their roles in a way that will maximize synergies in adopting policies that are legally resilient (Iqbal et al.; 2024).

The application of the GRC integration theory will lead to a revolutionary transition from separate management systems into an integrated one that can connect with the overall corporate strategy. The traditional approach divides the responsibilities of governance, risk, and compliance among several departments, which overlap in their reporting functions. However, GRC integration removes all barriers by aligning data collection, methods, and communication channels. As a result, the directors and commissioners of SOE will be able to evaluate the company's situation from all angles and make strategic decisions not only based on potential benefits but also considering compliance limitations and risk tolerance levels (risk appetite) (Gunawan; 2021).

As for SOEs, the need for GRC integration is especially high due to the dual nature of these enterprises, where the company must fulfill its financial goals and at the same time act as an instrument of national development. Enhancing GRC is necessary to maintain public accountability since SOE funding comes from separated state resources. With a unified GRC framework, every activity of the company, whether it is investment or expansion, leaves a clear digital trail. This transparency automatically increases stakeholder trust, from the government as shareholders and investors to the wider public, as the company demonstrates a real commitment to the principles of Good Corporate Governance (GCG) (Wardana et al.; 2019).

From an operational standpoint, the integration of GRC results in high efficiencies since there would be less duplication of controls and lower compliance costs. Operational risks can be identified more precisely since every possible risk would have a corresponding regulation that will protect it. Reputation, which can be said to be the crown jewel of the SOE, will be protected due to compliance with the rules set forth by the government. Compliance should not be viewed as a mere task but should be integrated into the organization’s risk culture.

From the research results conducted at Company X, it is clear that the practice of GRC integration has evolved from just being an administrative requirement to being a legally protected strategy for companies. Here is an extensive analysis of these findings. Firstly, the practice of using the GRC framework as a digital ecosystem has effectively ended the operational silo mentality that has long plagued SOEs. The recording of every step of the policies put forth by the Board of Directors in one system ensures that there is no secrecy whatsoever in the processes of Company X. An effective system of governance, coupled with e-voting processes, ensures that all decisions are arrived at through collegial discussions without any conflict of interests. This, in itself, ensures that there are no cases of abuse of power since the decisions of the Board of Directors are documented in the system as evidence of effective governance practices.

Secondly, the use of Risk Management in the preparation of Risk Registers for all the strategic decisions made by the corporation creates an informed basis upon which the Board of Directors can practice the principle of informed basis (that is, taking the decisions based on adequate information). Legally, the presence of the Risk Register will be used as proof that the Board has indeed exercised due diligence when making the decisions since they have considered different ways of mitigating the risks before proceeding with any action. In case there is any loss incurred as a result of the business decision taken, then the presence of this risk management tool proves that the loss was justifiable.

Thirdly, the Compliance Department serves as a final screening process, ensuring that all activities carried out by the corporation stay within legal boundaries (intra vires). It is important for compliance to be highly effective in the SOE setting because there is heavy supervision of all sectoral and individual statutes. The board of directors can be confident that their strategic initiatives will not violate any laws that will subject them to legal and criminal consequences through thorough compliance checking.

Additionally, the combination of the above components will lead to the creation of an effective audit trail that will be regarded as a "legal shield" against the risk of being criminalized. As far as Indonesia is concerned, it is common practice to have long legal discussions when determining whether there are private or state losses involved. By providing the required information about data integrity, the Board of Directors will have sufficient proof of meeting the requirements for the Business Judgment Rule (BJR). Consequently, there will be enough justification from the above information to ensure that the Board of Directors will have acted diligently and reasonably and should be fully protected legally.

The findings from the study have further indicated that for the integration of GRC to be an effective legal risk management tool for SOE Boards, there is need to first

establish the foundations of good corporate governance. The use of GRC will ensure that the aspects of transparency and accountability are not simply just words but have been incorporated into the process. As a result, this minimizes any incidences of malpractice. In addition, when there is an integrated approach to monitoring and supervision, there are high chances of identifying irregularities which may lead to legal actions by the Board of Directors. In this case, the working environment is relatively pure, and all policies have moral and legal integrity.

In addition, the shift from traditional risk management practices to integrated risk management will allow the Board of Directors to be proactive when dealing with uncertainty in the business environment. The GRC approach ensures that every strategic decision not only considers profit but also legal risk mapping. The process of mitigating risk ahead of time is an essential component of the role played by the Board of Directors to meet prudence criteria. Therefore, in case of any crisis or failure in the business, the Board of Directors can prove that sufficient measures have been taken to mitigate them, which is the basic prerequisite for the Business Judgment Rule doctrine to apply.

As for GRC pillar dealing with legal and regulatory compliance, it acts as a gatekeeper making sure that all processes and activities performed at SOEs comply with dynamic regulations and laws. In light of the fact that the regulatory environment in which SOEs operate is closely connected with government regulations, any risks of being fined, being faced with civil claims, or even criminal prosecution are ever-present in every decision made. GRC helps make sure that corporate policies and laws are in line; hence, the Board of Directors can perform its duties without fear of legal uncertainties.

In essence, successful execution of GRC ensures the creation of a documentation system and audit trail that will play a pivotal role in law enforcement. The systematic permanent documentation of all stages of decision-making, from risk evaluation to ultimate approval, becomes not only an administrative record but an evidence in itself, which will be applicable in future audits and in the course of any legal investigations. Eventually, the clear audit trail will show that the board of directors acted diligently and in compliance with established regulations, thereby reducing chances of criminal liability for commercial losses, usually perceived by states as their owns.

Integration of GRC will eventually depend on the use of an effective technological system which will help link the variables of GRC in real-time. With the aid of digitalization within GRC, it will be possible to establish a reliable source of truthful data that will facilitate easy monitoring of the performance of internal controls in the company. Such an initiative will have to be backed up by an effective role played by the internal audit as the third line of defense, whose responsibility would

be ensuring the company's risk management system follows proper protocol. Lack of technological input and independent supervision by the internal audit team will render the process a mere paperwork exercise.

More importantly, the combination of the two within the GRC framework should not just be about complying with regulations, but rather about ensuring sustainable business success. The combination allows companies to be more precise about recognizing their strengths and weaknesses, resulting in increased value creation for all involved parties without sacrificing sustainability. From a legal perspective, it is the most powerful tool that can protect the management from any legal actions against them because the strong GRC system can prove that there was a thorough filtration process before making any decisions. In other words, the use of the technology-driven GRC system will plug the managerial gap in preventing policy criminalization.

3.2. GRC Construction as an Objective Parameter in Proving the Business Judgment Rule

Article 97 paragraph (5) of Law No. 40 of 2007 concerning Limited Liability Companies (PT Law), reinforced by the spirit of accountability in the latest State-Owned Enterprises Law, provides a "way out" for Directors from personal liability for company losses through the Business Judgment Rule doctrine. However, this release of responsibility is not automatic; Directors bear the burden of proof to demonstrate that the losses were not the result of their own error or negligence. This is where the role of Risk Management becomes crucial. With an adequate risk management system, Directors can empirically demonstrate that they have identified potential hazards and implemented appropriate mitigation efforts, so that any losses incurred are purely business dynamics or force majeure, not managerial malpractice (Siagian et al.; 2023).

Furthermore, the fulfillment of the elements of good faith and the principle of prudence must be supported by governance procedures that are manifested in the corporation's concrete actions. Decision-making should not be based solely on intuition, but must be conducted through documented formal meetings, expert opinion, and in-depth research. This procedural evidence of GCG provides a strong legal argument that the Board of Directors has acted with due care and based on an informed basis. Without a track record of orderly governance, it is difficult for the Board of Directors to convince legal authorities that their decisions are in the best interests of the company (Isnaini et al.; 2024).

Compliance complements this defense by ensuring the absence of conflicts of interest in every corporate action. Through transparency procedures and a compliance reporting system, the Board of Directors can demonstrate that they have no hidden personal interests in the transactions they undertake. Compliance

with SOPs and internal regulations ensures that every step taken is intra vires (within the limits of their authority). The integration of these compliance documents serves as a crucial filter; if a conflict of interest is detected, BJR protection is automatically voided, even if other risk and governance aspects have been met (Habibie et al.; 2025).

Finally, the Board of Directors' ability to take preventive measures against further losses is a final parameter, further supported by responsive Risk Management. The law rewards Directors who do not remain silent when risks occur, but actively take remedial measures based on an established early warning system. By integrating all these GRC components, the Board of Directors not only fulfills its managerial obligations but simultaneously builds a solid legal defense as mandated by law, effectively minimizing the risk of criminalization of business policies.

Field data analysis at Company X confirms that GRC integration has transformed into a measurable legal parameter for testing compliance with the elements of the Business Judgment Rule (BJR). The BJR concept, previously considered abstract, now has a concrete standard of proof through documents generated by the integrated GRC system. This shifts the Board of Directors' legal position from merely providing defensive arguments to presenting systematic material evidence, thereby providing greater legal certainty in the face of scrutiny from authorities and law enforcement officials.

The governance aspect within the GRC framework serves as a key parameter for demonstrating the fulfillment of the element of "good faith" and the absence of conflict of interest in every managerial decision. At Company X, a robust governance structure ensures that every strategic policy is not born from a single, subjective discretion, but rather through a transparent and accountable, collegial collective mechanism. Through detailed documented meeting minutes and the signing of an integrity pact, the Board of Directors has legal, tangible evidence to demonstrate that decisions are made purely in the best interests of the company. This automatically negates potential allegations of ulterior motives for personal gain or certain affiliated parties, thus strengthening the Board of Directors' legal standing from the administrative stage.

Furthermore, the implementation of disciplined governance creates an effective system of checks and balances between executive and oversight functions. With the involvement of committees under the Board of Commissioners and adherence to the corporate governance charter (Corporate Governance Manual), the decision-making process at Company X is difficult to interfere with by outside interests that are inconsistent with the company's objectives. The documentation resulting from this process is not merely a routine archive, but rather a crucial evidentiary instrument to confirm that the Board of Directors has exercised its

authority lawfully (intra vires). Thus, the Governance pillar within GRC successfully transforms the abstract principle of "good faith" into a robust operational variable to protect the Board of Directors from legal entanglements of abuse of authority.

The Risk Management aspect within the GRC ecosystem serves as an objective parameter to measure the duty of care and the fulfillment of the basic element of adequate information (informed basis). At Company X, every strategic corporate action is required to undergo a risk identification and assessment process outlined in the Risk Register and an in-depth feasibility study. The existence of this risk assessment document demonstrates that the Board of Directors is not making speculative or reckless decisions, but has carefully considered various uncertainty scenarios. From a legal perspective, this risk management documentation serves as material evidence that the Board of Directors has taken appropriate mitigation efforts, so that potential future losses can be classified as reasonable business risks (calculated risks).

Furthermore, the integration of risk management ensures that the Board of Directors has measurable standards for taking preventative measures against the expansion of losses. With an integrated early warning system, any deviation from the business plan can be immediately responded to with structured rescue measures. The Board of Directors' ability to demonstrate quantitative and qualitative analysis before executing strategic decisions becomes a key defense against accusations of negligence. Thus, risk management is not merely a performance management tool, but rather transforms into a tangible parameter that demonstrates that the Board of Directors has acted with due diligence in accordance with the statutory mandate.

The Compliance aspect within the GRC framework serves as a final legal filter, ensuring that all Board of Directors' actions remain within the law (intra vires). The compliance function at Company X ensures that every decision-making procedure aligns with the company's Articles of Association, sectoral regulations, and applicable laws and regulations. Through the use of compliance checklists and rigorous compliance verification, the company minimizes the risk of unlawful acts (PMH), which could automatically invalidate the protection of the Business Judgment Rule. This compliance documentation provides assurance that the Board of Directors has complied with all statutory legal guidelines, ensuring that business decisions have absolute legal legitimacy.

Furthermore, an integrated compliance function is highly effective in preventing and detecting potential conflicts of interest from the planning stage. With a reporting mechanism and regular compliance audits, the Board of Directors can transparently demonstrate that no legal provisions have been violated or procedures have been bypassed for personal gain. Amidst tight oversight of SOEs,

the role of Compliance is crucial in protecting the Board of Directors from administrative sanctions and criminal charges resulting from procedural errors. Ultimately, the compliance pillar within GRC ensures that, as long as legal protocols are followed, the Board of Directors has solid legal protection for every strategic decision made for the company's sustainability.

The synergy of these three GRC components simultaneously creates a comprehensive audit trail as a primary legal defense. Amid the high risk of criminalization of decisions by SOE Directors, which are often misinterpreted as causing state financial losses, the existence of integrated GRC evidence acts as the first line of defense. This digital and administrative footprint allows auditors and investigators to clearly see that the decision-making process has gone through proper governance, thorough risk calculations, and strict legal compliance.

The research concludes that the GRC (Governance, Risk, and Compliance) construction serves as an objective parameter in proving the Business Judgment Rule (BJR) doctrine, as follows:

- GCG (Governance) as Evidence of "Good Faith"

The implementation of Good Corporate Governance (GCG) within the GRC framework serves as a formal manifestation of the principle of good faith required by the BJR doctrine. Substantively, GCG ensures that every strategic decision emerges from a transparent and accountable managerial process, not based on subjective motives or personal interests. The existence of objective evidence such as comprehensive minutes of Board of Directors and Board of Commissioners meetings, a majority-vote decision-making mechanism, and the active involvement of board committees (such as the Audit Committee or Risk Monitoring Committee) demonstrates that the company's power structure functions collectively and collegially.

From a legal perspective, these governance documents serve as primary evidence to refute allegations of arbitrary or ultra vires actions. When the Board of Directors can demonstrate that a policy has gone through legitimate internal bureaucratic channels and aligns with the company's purposes and objectives as stipulated in the Articles of Association, the element of good faith is automatically fulfilled. Thus, Governance is not merely routine administration, but rather a legal defense instrument that proves that the Board of Directors has used its authority responsibly in the best interests of the company.

- Risk Management as Evidence of "Duty"

Risk management within the GRC ecosystem serves as an objective standard for measuring the Board of Directors' compliance with the principle of due care. By

providing in-depth quantitative and qualitative analysis, risk management provides a comprehensive overview of the potential consequences of a business decision before it is executed. Evidence such as risk assessment documents, feasibility studies, legal opinions, and profit-loss scenario analyses provide material evidence that the Board of Directors has acted on an informed basis, a key pillar in the application of the BJR doctrine.

A crucial function of risk management in BJR is to distinguish between managerial negligence and calculated business risk. If a future decision results in financial loss, the existence of this risk assessment document serves as a legal shield, proving that the Board of Directors has implemented appropriate mitigation and consciously considered the risk. With a track record of disciplined risk management, such losses will be viewed by judges or auditors as normal market dynamics, thus retaining BJR's legal protection.

- Compliance as Evidence of "Procedural Compliance"

The Compliance aspect within the GRC framework acts as a legal safeguard, ensuring that all corporate actions do not violate legal guidelines or the company's Articles of Association. The compliance function provides procedural infrastructure through Standard Operating Procedures (SOPs), international standard certifications (such as ISO), and a dynamic checklist of compliance with laws and regulations. The existence of this integrated compliance system ensures that every corporate action is carried out within the legal framework, thereby mitigating the risk of decision cancellation due to legal flaws or violations of sectoral regulations.

In relation to BJR, procedural compliance serves to prevent unlawful acts or conflicts of interest that could automatically invalidate the Board of Directors' protection rights. Objective evidence from the Compliance function provides assurance that the Board of Directors has complied with all statutory and regulatory obligations applicable to the relevant industry. Therefore, when compliance aspects are met and properly documented, the legality of the Board of Directors' actions becomes difficult to challenge, ultimately strengthening the Board of Directors' bargaining position in obtaining full legal protection for every business decision they make.

To make the explanation easier, a table has been compiled that maps the relationship between GRC components as Objective Parameters to fulfill the elements of the Business Judgment Rule (BJR).

Table 1 GRC as an Objective Parameter Proof of the Business Judgment Rule

GRC components	BJR Parameters Fulfilled	Objective Evidence (Audit Trail)	Function Juridical in Legal Protection
Governance	Good Faith & Absence collision Interest	• Minutes meeting Directors & Commissioners • Pact Integrity • Documentation voice most (*Voting*)	Prove that decision taken in a way collective interest company, not interest personal.
Risk Management	Duty of Care & Sufficient Information	• Risk *Assessment* Report • *Feasibility* Study • *Legal* Opinion	Show that loss is *Calculated Risk* (riss measurable), not consequence from negligence or carelessness.
Compliance	Legality Procedural (*Intra Vire*)	• *Checklist* Compliance Regulation • SOP & ISO Certification • Compliance Audit Report	Ensure action No violate law (against law) or Articles of Association that can abort BJR rights.

Source: processed researchers 2026

4. Conclusion

These findings prove that the legal issues confronting SOE directors while making strategic decisions arise out of the vagueness associated with the interpretation of pure business losses versus state losses. The doctrine of the Business Judgment Rule (BJR), stipulated under Article 97 paragraph (5) of Law Number 40 of 2007, needs more quantifiable measures for the operation in order to not be reduced to an abstract shield. It has been found that the integration of GRC is an essential manifestation of legal risk mitigation, making the process go beyond being merely a management tool to become a legal measure through which evidence (audit trail) can be established in the discharge of fiduciary duty. In particular, this study finds that all aspects of the GRC have an interwoven role in terms of the evidentiary nature of the BJR model. To begin with, the Governance dimension can be regarded as an objective measure of "good faith," which requires a collegial approach and transparency in meetings. In addition, the Risk Management dimension acts as the basis of the "duty of care" principle. Specifically, thorough risk assessment constitutes material evidence indicating that all decisions are

made with sufficient information available. Lastly, the Compliance dimension ensures "procedural legality." Therefore, it can be assumed that all actions taken must be intra vires and conflict-free. It is noteworthy that the concurrent implementation of all three dimensions in Company X has been capable of constructing an unassailable legal defense. In other words, the company's Board of Directors can rest assured about their freedom from legal constraints in the process of innovation due to GRC compliance. This study has contributed substantially to the growth of corporate law by proposing a GRC-driven BJR parameterization framework which could be used by many state-owned enterprises (SOEs) in improving the legal safeguarding of corporate bodies. But this study does not have much scope since it has covered just one company; therefore, the implementation of the GRC process in other industrial domains would entail legal risks specific to their industries. Additionally, the application of these parameters in courts will largely be determined by whether there exists a common viewpoint among corporate practitioners and law enforcement officials regarding the legitimacy of GRC documents.

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