Original Article

Why Sustainable Development Fails Without Ethical Public Governance Policies?

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Abstract

Environmental, social, and governance principles have increasingly shaped contemporary approaches to corporate governance and sustainable development, reflecting heightened demands for ethical conduct, accountability, and long-term value creation. However, the effectiveness of these principles remains contingent upon the quality of public governance and regulatory coherence. This study aims to analyze the role of ethical public governance in supporting the implementation of environmental, social, and governance principles as an instrument for achieving sustainable development objectives. The research employs a normative juridical method, examining statutory frameworks, principles of administrative law, and governance policies related to corporate responsibility and sustainability. The findings demonstrate that the absence of specific and coherent regulatory frameworks, coupled with weaknesses in administrative accountability and ethical governance, significantly undermines the consistency and effectiveness of environmental, social, and governance implementation. The study further finds that corporations with clearly articulated values, strategic vision, and institutional capacity are better positioned to integrate sustainability into long-term governance frameworks, particularly through corporate social responsibility programs. In this context, higher education initiatives emerge as a strategic form of corporate social responsibility, contributing to the development of sustainability-oriented leadership and innovation. The study concludes that ethical public governance constitutes a fundamental prerequisite for aligning corporate governance practices with sustainable development goals, and that strengthened administrative frameworks are essential to ensure durable and meaningful sustainability outcomes.

Keywords: Corporate; Environmental; Governance; Sustainable;

Introduction

Environmental problems will increase along with the rapid globalization in Society 5.0. The role of government and companies must be increasingly real and sustainable. The implementation of Good Corporate Governance (GCG) is at the stage where there is a demand to convey to the public what the company has done to ensure the implementation of good corporate governance. According to Effendi [1] In his book The Power of Good Corporate Governance, the definition of Good Corporate Governance (GCG) is a company's internal control system that has the main objective of managing significant risks to meet its business objectives by securing company assets and increasing the investment value of shareholders in the long term. The company seeks to implement 5 (five) basic principles of Good Corporate Governance (GCG), namely: transparency, accountability,

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[1] Ralph Adolph, *Good Corporate Governance (GCG)* (Surabaya: Penerbit Yayasan Kita Menulis, 2016).

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responsibility, independence, and fairness, as released in the General Guidelines for Good Corporate Governance (GCG) issued by the National Committee for Governance Policy [2].

Public Sector Innovation (PSI), which is defined as the process of introducing, developing, and implementing something new with a radical or incremental scale of improvement into public organization routines, has gained much attention from scholars in the Public Administration (PA) [3]. Sustainable entrepreneurs stress value creation that benefits society through opportunity creation and development in an uncertain environment. Its implications for risk handling, attitude to innovation, and ethical concerns. In line with social entrepreneurship, its concept stands between for-profit and not-for-profit organizations, between cash and cause, in which the main goal is prosperity. Its spirit is in line with the spirit of economic sustainability. Based on this concept exploration, it is crucial to consider social entrepreneurship as an agent of economic sustainability, particularly those supported by Information and Communication Technology (ICT) [4].

Environmental, Social, and Governance (ESG) has become an integral part of modern business management. The implementation of ESG has been proven to increase the company's value in the long term because it presents the company as a responsible entity, has a positive impact on the surrounding community, and has integrity and accountability. ESG standards evaluate businesses' sustainability and impact on environmental, social, and governance issues far beyond their financial performance. Some of the standards are imposed by laws and regulations of the country where the business operates, and others result from stakeholders' expectations and investors' pressure due to growing concerns regarding human rights and environmental issues.[5] Environmental standards concern businesses' impact on the environment through their consumption of energy and raw materials, i.e., the resources they need to operate. These standards cover many factors, including how businesses contribute to climate change, pollution, waste, and natural resource depletion etc. Social standards concern the impact businesses have on society. Every company operates within a broader, diverse community, so its operations and social issues are deeply intertwined. These factors are related to labour and human rights, inclusion, equality, and community development. Governance standards concern practices and procedures adopted and implemented within a business to ensure it follows the laws and standards set out by its relevant stakeholders [6].

The 2030 Agenda for Sustainable Development (SDGs) is a new development agreement that encourages changes that shift towards sustainable development based on human rights and equality to promote social, economic, and environmental development. The Sustainable Development Goals (SDGs) are implemented with universal, integrated, and inclusive principles to ensure that "no one is left behind". SDGs consist of 17 Goals and 169 Targets in order to continue the efforts and achievements of the Millennium Development Goals (MDGs), which ended in 2015. As many as 94 and 241 global SDGs indicators are actually in line with the targets in the National Medium-Term Development Plan (RPJMN). Presidential Regulation Number 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals as a legal umbrella at the national level, also supports other

[2] BEI (Bursa Efek Indonesia), 'Tata Kelola Perusahaan Yang Baik (Good Corporate Governance) Merupakan Suatu Keharusan Bagi Perusahaan', 2020, 1–489.

[3] I. Putu Yoga Bumi Pradana, Ely Susanto and Wahyudi Kumorotomo, 'Bibliometric Analysis of Public Sector Innovation', *Jurnal Ilmu Sosial Dan Ilmu Politik*, 25.3 (2022), 297–315 <https://doi.org/10.22146/jsp.69862>.

[4] Lisa Lindawati, 'The Role of Information and Communication Technology for Economic Sustainability through Social Entrepreneurship Practices in Indonesia: A Preliminary Study', *Jurnal Ilmu Sosial Dan Ilmu Politik*, 26.2 (2022), 213 <https://doi.org/10.22146/jsp.71796>.

[5] Bambang Manumayoso and Abdul Kadir Jaelani, 'Sustainable Tourism in Indonesia's Ring of Fire: Toward Ecological Justice and Green Energy', *Journal of Sustainable Development and Regulatory Issues (JSDERI)*, 3.3 (2025), 590–615 <https://doi.org/https://doi.org/10.53955/jsderi.v3i3.105>.

[6] Nevena Kostić and Amina Hujdur, 'Building a Sustainable Future: ESG Business Handbook', *The AIRE Centre and UNDP Bosnia and Herzegovina*, 2023.

implementing regulations such as the Regulation of the Minister of Home Affairs (Permendagri) Number 7 of 2018 concerning the Preparation and Implementation of Strategic Environmental Studies in the Preparation of Regional Medium-Term Development Plans and the Regulation of the Minister of State for National Development Planning / Head of the National Development Planning Agency (Permen PPN / Head of Bappenas) Number 1 of 2024 concerning Procedures for Coordination, Preparation, Planning, Monitoring, Evaluation and Reporting on the Implementation of Sustainable Development Goals. All stakeholders need to have a roadmap that serves as a guide for planning and targeting program activities to align with achieving the SDGs. It is hoped that the roadmap can be used together to support the achievement of the 2030 SDGs.

Indonesia is estimated to produce around 190,000 tons of waste per day, dominated by organic waste. Plastic waste contributes 25,000 tons every day, 20% of which ends up in rivers and seas. Currently, Indonesia is in second place after China as the country that contributes the most plastic waste to the ocean. Waste management infrastructure and technology are unable to keep up with the rate of urbanization in Indonesia. This problem is also exacerbated by the lack of awareness of the importance of processing waste at the household level and how waste can cause environmental damage, especially plastic waste. The government has set a target to reduce waste by 70% by 2025. Massive policy reform is needed to achieve this target. Changing people's behavior regarding waste accumulation and management is the main key to reducing waste production in Indonesia. In addition, establishing more radical policies, such as banning the use of single-use plastics, can also be a solution [7].

The absence of specific regulations *(lex specialis derogat legi generali)* governing ESG is also a current focus of the Indonesian Government. However, the aspects contained therein have been regulated separately in various applicable laws and regulations. The Ministry of Finance of the Republic of Indonesia has issued an ESG Framework and Manual in order to provide government support and facilities for infrastructure financing. In addition, the Financial Services Authority (OJK) is one of the government agencies that is active in issuing regulations and guidelines related to ESG, one of which is OJK Regulation Number 51 of 2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. The presence of ESG aims to support companies in balancing healthy business in the long term. Meanwhile, higher education institutions play an important role in integrating knowledge about ESG, including knowledge related to strategic planning to optimize Corporate Social Responsibility (CSR) programs to pioneer environmentally friendly innovation and development. Higher education institutions must also provide comprehensive training programs, such as seminars, to support the development of ESG programs. Cooperation between the Government and higher education institutions can be optimally enhanced in realizing ESG-Minded Future Leaders, including through research and community service schemes, public policy development (policy briefs), training (workshops), monitoring and evaluation, and sustainable cooperation.

The purpose of this research is to examine the extent to which ethical public governance policies determine the effectiveness of sustainable development implementation, particularly in preventing governance failures that undermine long-term environmental, social, and economic objectives.

Method

This research adopts a normative juridical method with a qualitative descriptive-analytical approach. The study focuses on examining legal norms, principles of administrative law, and

[7] Kementerian Perencanaan Pembangunan Nasional/ Badan Perencanaan Pembangunan Nasional, 'Peta Jalan Sustainable Development Goals (SDGs) Di Indonesia', *Kementerian PPN/Bappenas*, 2021, 35.

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governance policies that regulate ethical public governance in relation to sustainable development. The normative juridical approach is employed to analyze the coherence, validity, and ethical foundations of public governance policies, particularly in assessing their capacity to support sustainable development objectives. The research utilizes a conceptual and statutory approach. The statutory approach examines primary legal materials, including legislation, regulatory instruments, and official policy frameworks governing public administration, corporate governance, and sustainability. The conceptual approach draws upon doctrines of administrative law, theories of ethical governance, and principles of accountability and the rule of law to provide a systematic analytical framework. Secondary legal materials consist of academic literature, scholarly articles, and authoritative commentaries that support doctrinal interpretation and theoretical analysis. Data collection is conducted through an extensive literature and document review. The analysis is carried out qualitatively by interpreting legal norms, identifying regulatory gaps, and evaluating governance practices through normative reasoning. This method enables the formulation of prescriptive conclusions and recommendations aimed at strengthening ethical public governance policies as a prerequisite for effective and sustainable development implementation.[8]

Results and Discussions

The Role of Ethical Governance in Sustaining Organisational Values

ESG is a set of criteria used by investors to evaluate companies based on their sustainability and ethical impact. Environmental, Social, and Governance are the three components of ESG [9]. The past few years have witnessed a notable increase in interest pertaining to ESG-orientated investments from both domestic and international investors. Prior research suggests that insufficient or poor ESG disclosure often signals the presence of idiosyncratic risks, whereas firms with robust ESG performance are often met with positive recognition by investors. The investors may assess the firms according to overall performance, not only for financial returns, by using ESG components. Agbakwuru [10] found that ESG-compliant firms exhibit better corporate governance, stronger commitment to environmental sustainability and development, reduced earnings volatility, and enhanced access to lower-cost financing. The study demonstrates that managing risks through an ESG lens plays a significant role in protecting and enhancing organisational value. Businesses are more resilient to market volatility when they proactively manage environmental risks, such as resource scarcity, climate change, and changes in emissions regulations. Chava [11] made the point that a company's environmental profile affects its debt and financial costs. Global climate shocks can also raise the equity capital cost and increase CO_2 emissions by industry, which can lead to a decline in global GDP annually. Kling et al. [12] claim that climate sensitivity is able to affect the capacity of the company to obtain finance as well as the cost of capital. A clear illustration of this principle can be seen in the case of Unilever, a global consumer goods company. Recognising the environmental risks posed by climate change and resource

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[8] Isabelle Fest, Maranke Wieringa and Ben Wagner, 'Paper vs. Practice: How Legal and Ethical Frameworks Influence Public Sector Data Professionals in the Netherlands', *Patterns*, 3.10 (2022), 100604 <https://doi.org/10.1016/j.patter.2022.100604>.

[9] Haoming Tong, 'The Importance of ESG in Corporate Strategy and Investment Decisions with Patagonia as an Example', *Advances in Economics, Management and Political Sciences*, 25.1 (2023), 88–94 <https://doi.org/10.54254/2754-1169/25/20230481>.

[10] Victoria Agbakwuru and others, 'The Impact of Environmental , Social , and Governance (ESG) Reporting on International Journal of Research Publication and Reviews The Impact of Environmental , Social , and Governance (ESG) Reporting on Corporate Financial Performance', 2024 <https://doi.org/10.55248/gengpi.5.0924.2710>.

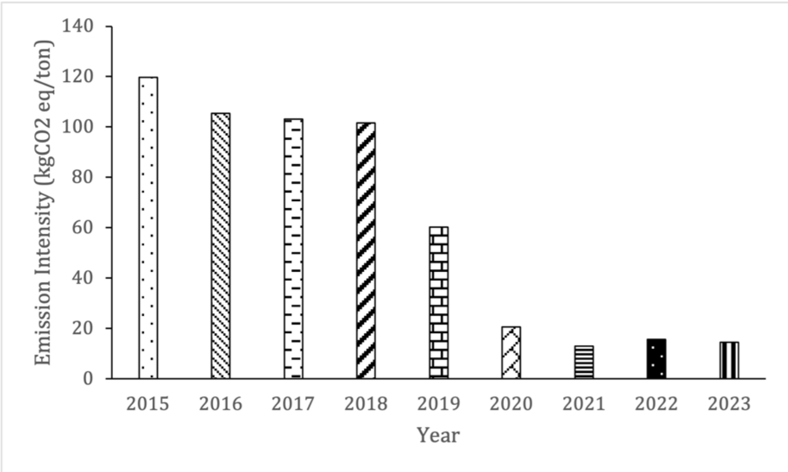
[11] Sudheer Chava, 'Environmental Externalities and Cost of Capital', *Management Science*, 60.9 (2014), 2223–47 <https://doi.org/10.1287/mnsc.2013.1863>.

[12] Gerhard Kling and others, 'The Impact of Climate Vulnerability on Firms' Cost of Capital and Access to Finance', *World Development*, 137 (2021), 105131 <https://doi.org/10.1016/j.worlddev.2020.105131>.

scarcity, Unilever embedded sustainability goals into its core strategy with their *Sustainable Living Plan*. This plan included declining greenhouse gas emissions and improving waste management across its supply chain. As a result, Unilever not only minimised its exposure to future regulatory changes on carbon emissions but also experienced enhanced investor trust.

Figure 1:

Emission intensity data only covers Unilever's manufacturing activities, excluding logistic and office activities. Every 1 tonne of product produced at the factory generated emissions of 14.5 kg CO_2 in 2023.



The company's proactive approach to environmental risks helped it maintain stable operations even during supply chain disruptions caused by extreme weather and resource shortages. According to Unilever's 2023 Sustainability Report, there has been a reduction in emission intensity. Furthermore, its commitment to sustainability has contributed to long-term cost savings, particularly through energy efficiency initiatives and reduced raw material wastage. Companies that integrate environmental risk assessments into their strategic planning experience improved investor confidence and long-term cost efficiency. According to Handoyo and Anas [13], the financial and environmental performance of the company are closely related. The national government and the calibre of regulations' effectiveness have a significant impact on this link. According to the findings, companies can more easily integrate environmental sustainability into their operations with the support of a strong legislative framework and an effective governance system, which will boost productivity and expansion. This highlights the critical role of legislators and regulatory bodies in fostering an environment that encourages sustainable business practices without compromising firms' financial performance. It also underscores the importance of government support in establishing a business-friendly climate that promotes sustainability while simultaneously driving economic growth and development.

Firms that proactively manage social risks, including labour rights violations, community conflict, and supply chain human rights issues, are more likely to maintain their social licence to operate. This not only reduces potential disruptions but also enhances brand loyalty, stakeholder trust, and recruitment appeal. Sovilj and Zlatanovic [14] review the standpoint of labour law; the "S" component of the ESG compliance concept emphasises the importance of taking fair labour conditions and decent work standards into account when making

[13] Sofik Handoyo and Syaiful Anas, 'The Effect of Environmental, Social, and Governance (ESG) on Firm Performance: The Moderating Role of Country Regulatory Quality and Government Effectiveness in ASEAN', *Cogent Business and Management*, 11.1 (2024) <https://doi.org/10.1080/23311975.2024.2371071>.
[14] Ranko Sovilj and Sanja Zlatanović, 'Approaching Esg Compliance Concept From Business Law and Labour Law Perspectives', 30.112 (2024), 45–55 <https://doi.org/10.2478/law-2024-0004>.

management decisions along the global supply chain. In addition to the internal employer culture of implementing codes of conduct or international agreements, it could be accomplished by implementing required comprehensive reviews, human and labour rights evaluations, and management procedures. Ceron et al. [15] added that the creation of a sustainability discount rate, which aligns social and environmental components into financial benefits, is a novel strategy that could revolutionise how long-term projects and investments are evaluated. By taking into consideration lower long-term risks and guaranteeing consistency with sustainable development goals, such an approach justifies a lower cost of financing. The increasing importance of sustainability in financial management offers a strong foundation for further study, which can significantly improve our comprehension and use of resilient and sustainable finance, particularly with regard to climate change.

Unfortunately, firms do not always fully implement ESG principles, particularly in the social dimension. A company's commitment to human rights defence can be demonstrated by having a policy or statement, or by performing a pre-investment assessment. Cruz and Matos [16] reveal that only a small percentage of businesses were compliant and dedicated to taking human rights into account when making investments, demonstrating the discrepancy between suggestions for human rights integration in investment and real commitment and compliance. According to Pierre BDC, sustainable procurement has become an unavoidable requirement in today's business environment. However, many small businesses continue to overlook the importance of ESG reporting, even as the absence of these practices increasingly threatens their competitiveness and market opportunities. Businesses in implementing ESG practices are already experiencing tangible benefits, including access to new business opportunities (50%), enhanced employee engagement and a strengthened sense of belonging (32%), and improved access to financing and investment (31%).

Exposure to legal threats, fraud, and compliance failures is decreased when ethical decision-making frameworks and transparent governance structures are in place. Strong governance procedures, including stakeholder involvement, anti-bribery laws, and a diverse board, are closely associated with lower reputational risk and more stable finances. According to Warouw et al. [17], including ESG in corporate strategy is not only morally right but also essential for long-term success. Businesses have been compelled to innovate and modify their operations due to the influence of ESG on customer preferences and markets. Public rules and regulations pertaining to ESG promote cross-sector cooperation and have an impact on international company operations. ESG and firm value have very strong positive correlations. Governments, creditors, investors, shareholders, and other stakeholders anticipate that the companies will take more action on ESG. Aydogmus et al. [18] state that when they meet and even exceed these expectations, the market will most likely reward them. Markets experienced significant volatility over the 2013–2021 study period as a result of COVID-19 and geopolitical unrest. ESG investing appears to provide protection against negative outcomes, especially during economic or social crises. The results suggest that companies with high ESG scores can attract investors to include them in their investment portfolios, either as Exchange Traded Funds (ETFs) or individual shares. Yahya

[15] Luis Ángel Meneses Cerón and others, 'Climate Risk and Its Impact on the Cost of Capital—A Systematic Literature Review', *Sustainability (Switzerland)*, 16.23 (2024) <https://doi.org/10.3390/su162310727>.

[16] Carolina Almeida Cruz and Florinda Matos, 'MANAGING THE " S " IN ESG : HOW ASSET MANAGERS DISCLOSE AND CONSIDER HUMAN RIGHTS GERIR O " S " DE ESG : COMO OS GESTORES DE ACTIVOS DIVULGAM E CONSIDERAM OS DIREITOS HUMANOS', 2024, 1–25.

[17] Felly Ferol Warouw and others, 'The Rise of Environmental, Social, and Governance (ESG): Assessing the Impact and Implications for Global Business Practices and Policy Formulation', *International Journal of Science and Society*, 6.1 (2024), 2024.

[18] Mahmut Aydoğmuş, Güzhan Gülay and Korkmaz Ergun, 'Impact of ESG Performance on Firm Value and Profitability', *Borsa Istanbul Review*, 22.November 2022 (2022), S119–27 <https://doi.org/10.1016/j.bir.2022.11.006>.

[19] looks at how COVID-19 lockdowns affect business performance and how sustainability might improve resilience. Businesses in lockdown countries outperformed those without lockdown in terms of revenue and profitability. Furthermore, businesses with robust social and environmental policies showed more resilience, proving that stakeholder trust and sustainability boost financial performance, particularly in times of crisis. In this case, firms should strengthen ESG awareness, enhance disclosure quality and governance, and embed sustainable development into their business strategies. Management power should be appropriately balanced to encourage active leadership in ESG implementation. At the policy level, the government should improve ESG disclosure standards, enforce stricter penalties for false reporting, and align regulatory guidance with corporate initiatives to optimise scale efficiency and minimise transition costs.

The increment of the essential existance of Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG) has been occuring in the recent decade to date, and being the fundamental strategies of business entities. Moreover, CSR and ESG can afford considerable benefits in financial and stimulate lucrative competitiveness as indicated by various scientific studies and practitioners' experiaence. In overcoming a dynamically evolving business circle, companies must persistently adapt their strategies to conquer new challenges and satisfy stakeholder desires. CSR and ESG consolidation can minimize risks, improve reputation, as well as create new opportunities for innovation and development [20]. Corporation with its values, vision, resources, and capabilities will be able to set short to long-term ESG framework containing a strategic plan to optimize the Corporate Social Responsibility (CSR) program for pioneering eco-friendly innovation and development. CSR refers to a adherence of company to the business ethics and a sustainable endowment to society and the environment [21]. One of the valuable CSR programs is to enhance green and sustainable higher education to be more impactful for the future. The higher education institutions (called "campus" or "university) is a key contributor in achieving the sustainable future by strengthening educational planning that enriching any literatures on environmental and sustainability applied in each course of study in order to improve the awareness, knowledge and skills of the young people, therefore they comprehend sustainability dynamic or process, and also to be ready for leading up the global turning towards a lively sustainable era [22].

Thousands of university have been recognized as "Green Campus". UI GreenMetric World University showcases the 2023 ranking for 1,183 institutions across 84 countries [23]. Then, the 2024 ranking shows 1,477 higher education institutions across 95 countries [24]. Meaning that there are enormous educated young generations that create opportunities for the corporations to promote a CSR program to the higher education institutions in order to cultivate ESG-minded future leaders, while also embracing the reputable non-government organizations (NGOs) in the environmental sector. CSR program can be embodied in a synergy of the company, university as well as environmental NGOs. The company shall become an entity that does sustainable business activities, which presents a CSR program in

[19] Habeeb Yahya, 'The Role of ESG Performance in Firms' Resilience during the COVID-19 Pandemic: Evidence from Nordic Firms', *Global Finance Journal*, 58.September (2023), 100905 <https://doi.org/10.1016/j.gfj.2023.100905>.

[20] Grzegorz Lew and others, 'The Importance of CSR and ESG in Shaping Competitive and Image Advantage of Enterprises', *European Research Studies Journal*, XXVII.Issue 3 (2024), 308–23 <https://doi.org/10.35808/ersj/3436>.

[21] Artan Nimani, Valbona Zeqiraj and Denis Spahija, 'The Importance of Corporate Social Responsibility for Companies: The Developing Market Study', *Journal of Governance and Regulation*, 11.4 Special Issue (2022), 314–20 <https://doi.org/10.22495/jgrv11i4siart11>.

[22] Fiorenza Deriu and Raffaella Gallo, 'Sustainable Green Educational Paths in the Italian Higher Education Institutions: A Text Mining Approach', *Sustainability (Switzerland)* , 16.13 (2024) <https://doi.org/10.3390/su16135497>.

[23] UI GreenMetric Office, 'UI GreenMetric World University Rankings 2023', 2023.

[24] UI GreenMetric Office, 'UI GreenMetric World University Rankings 2024', 2024.

the ESG framework. The university with green campus paradigm must be reliable to produce excellent graduates (human resources) who have environmental and social awareness and sustainability mindset. The environmental NGOs is able to serve for an empirical-based learning for the scholars. Accordingly, inter-institution synergy can be established with respect to its basic roles. A tripartite governance framework involving higher education institutions, corporations, and non-governmental organizations in advancing environmental, social, and governance values through coordinated institutional roles. Higher education institutions function as normative and developmental actors, responsible for cultivating sustainability-oriented mindsets, values, and behaviors among students through education, research, and community engagement. Their role emphasizes institutional capacity-building, including the development of governance-based learning systems, supporting facilities, and inter-institutional cooperation that connects academic environments with real-world governance practices.

Corporations appear in the table as strategic implementing actors, particularly through corporate social responsibility programs aligned with environmental, social, and governance principles. Their involvement reflects an administrative function in translating ethical governance commitments into operational programs, such as training, apprenticeships, and employment opportunities. This role highlights the importance of structured public–private cooperation in embedding governance values within human resource development and organizational practice. Non-governmental organizations are positioned as facilitators and accountability partners. Their role centers on disseminating environmental knowledge, fostering social awareness, and supporting both educational institutions and corporations in implementing sustainability-oriented initiatives. From an administrative perspective, NGOs contribute to policy diffusion, public engagement, and normative reinforcement by bridging institutional gaps and strengthening societal participation. Incorporating an approach to ESG values and frameworks deeply into the educational process at the "Green Campus" through the company's collaboration-based CSR program through such inter-institutional synergy is an effort to realize impactful green and sustainable higher education, wherein the higher education institution is able to create ESG-minded young generation to be a future leader that having remarkable and sustainable contribution in order to innovate and develop an eco-friendly technology, process, product and culture as the solutions for protecting and recovering environment to bring various positive changes in social life. As a result, the ESG-minded graduates from "Green Campus" can have more added value and bargaining power to be absorbed by the company to sharpen, enhance, and strengthen the implementation of the ESG framework. Whilst NGOs are a support system for such implementation of the ESG framework, optimally.

Ethical Public Governance and Legal Harmonization in Sustainable Development

Attention to environmental, social, and governance principles in Indonesia has increased significantly following the State's formal commitment to achieving the Sustainable Development Goals through nationally defined indicators. This commitment reflects Indonesia's broader constitutional and developmental orientation toward sustainable and inclusive development, which integrates economic growth, social justice, environmental protection, and sound governance. Since declaring its alignment with the global Sustainable Development Goals framework, the Indonesian Government has progressively incorporated sustainability objectives into its national development planning instruments and regulatory policies. These efforts indicate a growing recognition that sustainable development cannot be achieved solely through economic indicators, but must also be supported by ethical governance, social responsibility, and environmental stewardship.[25]

[25] I Gusti Ayu Made Asri Dwija Putri and others, 'Institutional Dynamics and Environmental Disclosures: Insights from Indonesia's Energy Sector', *Pacific Accounting Review*, 37.4 (2025), 592–615 <https://doi.org/https://doi.org/10.1108/PAR-11-2024-0309>.

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The institutionalization of sustainable development objectives in Indonesia is most clearly reflected in a series of presidential regulations and strategic planning documents. Presidential Regulation Number 59 of 2017 concerning the Implementation of the Achievement of Sustainable Development Goals constitutes an initial normative foundation by integrating Sustainable Development Goals targets into the National Medium-Term Development Plan for the 2015–2019 period. This regulation establishes national priorities that align development planning with global sustainability commitments and underscores the role of the State in coordinating cross-sectoral implementation. Subsequently, the Indonesia Sustainable Development Goals Roadmap Toward 2030, published by the Ministry of National Development Planning, further elaborates strategic directions, indicators, and implementation mechanisms to ensure policy coherence and long-term continuity. This roadmap functions as a guiding instrument for ministries, regional governments, and non-state actors in translating sustainability commitments into concrete development actions.[26]

The regulatory framework was further strengthened through the issuance of Presidential Regulation Number 111 of 2022 concerning the Implementation of the Achievement of Sustainable Development Goals. This regulation sets national targets for 2024 by referencing the priorities established in the 2020–2024 National Medium-Term Development Plan. Article 2 paragraph (2) of this regulation explicitly formulates the objectives of the Sustainable Development Goals, emphasizing the maintenance of sustainable improvements in economic welfare, social life, environmental quality, inclusive development, and governance capable of preserving quality of life across generations. This provision reflects an integrated and intergenerational perspective on development, positioning governance quality as a central pillar of sustainability rather than a merely administrative function.[27]

Despite these normative advancements, Indonesia has not yet enacted a specific and comprehensive regulatory framework that explicitly governs environmental, social, and governance principles as a unified concept. Instead, ESG-related elements are regulated in a fragmented manner across various sectoral laws and regulations. From an administrative law perspective, this regulatory fragmentation presents challenges in terms of coherence, consistency, and effective implementation. The environmental dimension is primarily regulated under Law Number 32 of 2009 concerning Environmental Protection and Management, particularly Article 68, which imposes obligations on business actors to preserve environmental functions, manage waste, and prevent pollution.[28] While this law provides a robust legal foundation for environmental responsibility, its implementation often depends on administrative discretion and enforcement capacity, which vary across sectors and regions. The social dimension of ESG is addressed through labor and human rights regulations, most notably Law Number 13 of 2003 concerning Employment, which establishes employer obligations and worker rights related to wages, occupational safety, social security, and non-discrimination. Complementing this framework, Presidential Regulation Number 60 of 2023 concerning the National Strategy for Business and Human Rights provides guidance for business actors and stakeholders in respecting and fulfilling human rights obligations within commercial activities. This regulation reflects a growing

[26] Chad Patrick Osorio and Jamlech Iram Gojo Cruz, 'Promoting Free Flows via Competition Law: An AI Industry Blueprint for Southeast Asia', *Telecommunications Policy*, 49.5 (2025), 102953 <https://doi.org/https://doi.org/10.1016/j.telpol.2025.102953>.
[27] Ceren Pekdemir, 'On the Regulatory Potential of Regional Organic Standards: Towards Harmonization, Equivalence, and Trade?', *Global Environmental Change*, 50 (2018), 289–302 <https://doi.org/https://doi.org/10.1016/j.gloenvcha.2018.04.010>.
[28] Yanti N Muflikh and others, 'Building Stakeholders' Mutual Understanding of Seaweed Sustainability in Indonesia: A Group Model Building Approach', *Marine Policy*, 168 (2024), 106283 <https://doi.org/https://doi.org/10.1016/j.marpol.2024.106283>.

awareness that social sustainability requires proactive governance mechanisms to prevent rights violations and ensure equitable treatment within economic processes.[29]

The governance dimension is reflected in corporate and public sector governance regulations. Law Number 40 of 2007 concerning Limited Liability Companies, particularly Article 4, establishes principles of good corporate governance, including transparency, accountability, responsibility, independence, and fairness. These principles are further operationalized for State-Owned Enterprises and Regional-Owned Enterprises through specific regulations, such as Government Regulation Number 54 of 2017 concerning Regionally-Owned Enterprises and the Regulation of the Minister of State-Owned Enterprises Number 2 of 2023 concerning Governance and Significant Corporate Activities of State-Owned Enterprises.[30] vThese instruments seek to ensure that public economic entities operate in accordance with ethical governance standards and contribute to broader development objectives. However, the absence of a *lex specialis* governing ESG as an integrated framework results in normative overlaps, regulatory gaps, and inconsistent implementation. From an administrative governance perspective, this fragmentation weakens legal certainty and limits the State's capacity to effectively coordinate sustainability-oriented policies across sectors. It also places a disproportionate burden on corporations to interpret and voluntarily integrate ESG principles without clear and harmonized regulatory guidance. Consequently, ESG implementation in Indonesia remains uneven and largely driven by market incentives or international pressures rather than by a coherent domestic governance framework.[31]

In this context, cooperation between the Government and higher education institutions becomes strategically significant. Higher education institutions serve as knowledge producers, normative laboratories, and human capital developers within the governance ecosystem. Through research, community service, and policy engagement, universities can contribute to the formulation of evidence-based public policies, including policy briefs that support regulatory harmonization and ethical governance reform. Training programs, workshops, and capacity-building initiatives jointly organized by government and academic institutions can enhance administrative competence and promote sustainability-oriented governance practices.[32] Higher education institutions play a critical role in cultivating future leaders who internalize ESG values as part of their professional and ethical orientation. By integrating sustainability, governance ethics, and social responsibility into curricula, research agendas, and community engagement programs, universities contribute to the long-term institutionalization of ESG principles. Monitoring and evaluation mechanisms supported by academic expertise further strengthen policy effectiveness and accountability. Sustainable cooperation between government and higher education institutions thus represents an essential administrative strategy for fostering ESG-minded future leaders and ensuring that sustainable development commitments are translated into enduring governance practices.[33]

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Conclusion

This study concludes that the effective implementation of environmental, social, and governance principles is inseparable from the consistent application of good corporate governance values, particularly transparency, accountability, responsibility, independence, and fairness. These principles provide the normative foundation that enables corporations to integrate sustainability considerations into their core business strategies rather than treating them as peripheral compliance obligations. In this context, environmental, social, and governance programs function as an operational extension of good corporate governance, ensuring that corporate activities align with ethical standards and long-term development objectives. The study further finds that corporate social responsibility programs are most effective when implemented through institutional collaboration. Synergistic engagement between corporations, higher education institutions, and non-governmental organizations strengthens the substantive impact of sustainability initiatives. Higher education institutions, through the "Green Campus" model, play a strategic role in producing human resources equipped with environmental awareness, social sensitivity, and governance-oriented mindsets. Non-governmental organizations contribute complementary strengths through their networks, empirical knowledge, and societal engagement, enhancing the credibility and outreach of sustainability programs.

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