CHAPTER I

INTRODUCTION

A. Background of Study

Corporate Social Responsibility (Hereinafter referred to as CSR) is a company's commitment to contributing to sustainable economic development by striking a balance between economic, social, and environmental interests.[1] According to the World Business Council for Sustainable Development (WBCSD), CSR encompasses a company's commitment to operate ethically and socially responsibly by supporting sustainable economic development by considering social and environmental impacts.[2] ISO 26000 emphasizes the importance of controlling the impact of business activities through integrated, transparent, and ethical risk management practices.[3] The concept of CSR has grown significantly in the era of globalization and is now an essential part of contemporary business practices as a legal tool to ensure a company's contribution to sustainable development.[4] In an ideal perspective, CSR is a type of mutually beneficial solution as its implementation provides economic benefits to the company in addition to

[1] Kholis, Azizul. Corporate Social Responsibility: Konsep dan Implementasi. Medan: Economic & Business Publishing, 2020. page.2.

[2] World Business Council for Sustainable Development. *Corporate Social Responsibility: The WBCSD's CSR Primer*. https://growthorientedsustainableentrepreneurship.wordpress.com/wp-content/uploads/2016/07/csr-wbcsd-csr-primer. Accessed June 16th, 2025

[3] Sorikmas. "Mengenal ISO 26000: Panduan dalam Pelaksanaan Tanggung Jawab Sosial." https://www.sorikmas.co.id/2023/06/15/mengenal-iso-26000-panduan-dalam-pelaksanaan-tanggungjawab-sosial. Accessed June 16th, 2025

[4] Commentary. "Corporate Social Responsibility in International Business: Impact and Implementation." *Journal of Research in International Business and Management* 10, no. 5 (2023): page.45.

improving the welfare of society and preserving the environment around the business. CSR on Limited liability companies' business ethics practices are internationally recognized and regulated by each country's laws.[5]

As a state of law, Indonesia is one of the countries that has established the obligation to implement CSR within the framework of positive law. In the context of Limited Liability Companies, the orientation towards implementing CSR has transformed from being initially voluntary to a normatively regulated obligation.[6] This provision is stated in Article 74 of Law No. 40 of 2007 on Limited Liability Companies, which expressly requires companies engaged in natural resources to implement social and environmental responsibility.[7] This regulation makes CSR a binding legal obligation for businesses.

Therefore, the paradigm of corporate social responsibility in Indonesia has changed. From being previously viewed as a form of voluntary concern, it is now an integral part of the company's legal obligations to support sustainable development, encompassing improvements in community welfare and environmental preservation.[8] With this development, CSR has developed into a legal obligation for every business actor in the form of a Limited Liability Company, especially those related to natural resources, as part of the company's

[5] Susilowati, Etty. *Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility)*. Bengkulu: Fakultas Hukum Universitas Hazairin, 2024.page.13.

[6] Gressy, and Temy Setiawan. "Perkembangan Penelitian Corporate Social Responsibility (CSR) di Indonesia Selama 15 Tahun (Perspektif Studi Literatur)." *Jurnal Ekonomi & Ekonomi Syariah* 7, no. 1 (January 2024): page.897.

[7] Law Number 40 of 2007 concerning Limited Liability Companies. Art 74.

[8] Siregar, M. "Prediktabilitas Regulasi Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) di Indonesia." *Jurnal Hukum Samudra Keadilan* 11, no. 1 (2016):page.15–29.

active role in maintaining a balance between economic, social, and environmental interests.[9]

CSR obligations for Limited Liability Companies are strengthened through Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies. This regulation emphasizes that social and environmental responsibility is not just an additional activity, but must be planned systematically, incorporated into the company's strategy, and treated as part of the operational costs reported in the annual report.[10] With this regulation, CSR becomes a legal and strategic instrument in the implementation of sustainable economic development, and ensures the company's real contribution to society and the environment.[11] Furthermore, provisions regarding CSR in limited liability companies are also regulated in Law No. 25 of 2007 on Capital Investment. It explicitly states that every investor, both domestic and foreign, including limited liability companies, is obliged to implement corporate social responsibility.[12]

This expands the scope of legal CSR obligations in Indonesia and emphasizes the role of CSR in establishing harmonious relationships between companies and the surrounding social, economic, and cultural environment. Furthermore, the urgent need to make social and environmental responsibility (CSR) a legal requirement that applies specifically to all Limited Liability

[9] Sutedi, Adrian. *Tanggung Jawab Sosial Perusahaan dan Lingkungan (Corporate Social Responsibility)*. Jakarta: Sinar Grafika, 2011.page.23.

[10] Government Regulation Number 40 of 2012 concerning Corporate Social and Environmental Responsibility of Limited Liability Companies.

[11] Fahmi. Pergeseran Tanggung Jawab Sosial Perseroan. Yogyakarta: FH UII Press, 2015. Page 3.

[12] Law Number 40 of 2007 concerning Limited Liability Companies.

Companies that engage in business activities in the natural resources sector or those closely related to it is highlighted by the enactment of Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation.[13] This clause not only makes Article 74 of Law Number 40 of 2007 on Limited Liability Companies more legitimate, but it also makes its normative components clearer to make it easier to apply in commercial operations.[14] The basic concept with this clause is still that businesses must legally set aside a portion of their profits to support social and environmental conservation projects, and that corporate social responsibility (CSR) is a legal requirement rather than merely a personal choice. Additionally, this amendment normatively incorporates the concept of social responsibility into a national economic development framework that is more conducive to investment climates and permits additional technical regulation through implementing rules.[15]

Indonesia's CSR implementation still faces several significant challenges in achieving its effectiveness despite a strong legal foundation. One of the main issues is the absence of objective and measurable evaluation indicators to assess CSR implementation at the practical level.[16] Law enforcement is still weak, especially in terms of sanctioning companies that do not fulfil their CSR obligations. Supervision

[13] Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation as Law, State Gazette of the Republic of Indonesia Year 2023 Number 29.

[14] Law Number 40 of 2007 concerning Limited Liability Companies. Art 74.

[15] Syailendra P., Moody Rizqy, and Cindy Laurencia. "Tinjauan Yuridis Pelaksanaan Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility) Sebagai Kewajiban Hukum di Indonesia." *INNOVATIVE: Journal of Social Science Research* 3, no. 6 (2023):page. 3200.

[16] "Corporate Social Responsibility in Indonesia." *Indonesia Business Post*. https://indonesiabusinesspost.com/30/regulation/how-to-understand-corporate-social-responsibility-in-indonesia. Accessed June 16th, 2025

by authorized institutions has also not been optimal, thus opening up opportunities for irregularities and the implementation of CSR that is symbolic without real benefits for the community and the environment.[17] Compared to developed countries, CSR practices in Indonesia still have a number of weaknesses in the measurement system. However, many companies tend to view CSR only as an administrative obligation or a form of normative compliance, not as an integral part of corporate strategy that supports sustainable development.[18] In addition, the regulation of CSR into legal products has also led to differences in views between those who support and those who reject it, where some business actors still see CSR only as a burden of legal obligations without considering the philosophical dimensions and long-term impacts on future generations.[19]

Germany is one of the industrialized countries that implements corporate social responsibility (CSR) through a strict and comprehensive regulatory approach. This is especially true for business entities in the form of limited liability companies or Gesellschaft mit beschränkter Haftung (GmbH). To ensure ethical, fair and environmentally friendly business practices, the Lieferkettensorgfaltspflichtengesetz (LkSG) was enacted in 2023 and regulates CSR.[20] Nonfinancial reporting obligations as stipulated in the Handelsgesetzbuch (HGB), especially in §§ 289b-289e, which are the implementation of the EU CSR

[17] "Corporate Social Responsibility in Indonesia." *Indonesia Business Post*. https://indonesiabusinesspost.com/30/regulation/how-to-understand-corporate-social-responsibility-in-indonesia. Accessed June 16th, 2025. *Op. cit.*

[18] Kapoh, Ullio Iglesias Bithoven, Lendy Siar, and Mercy Maria Magdalena Setlight. "Aspek Hukum Tanggung Jawab Sosial (Corporate Social Responsibility) CSR di Perusahaan." Jurnal Tana Mana 4, no. 2 (2023): 222.

[19] *Ibid.*

[20] Bundesministerium der Justiz. Handelsgesetzbuch (HGB), Page 289b–289e.

Regulation 2014/95/EU, enhance the principle of transparency.[21] Although the Grundgesetz (German Constitution) does not explicitly contain provisions on CSR as does Article 74 of the Indonesian Limited Liability Company Law, the basic principle in Article 14 paragraph (2) that ownership has a social function (Eigentum verpflichtet) provides normative legitimacy for the implementation of CSR in Germany.[22]

In addition to regulatory support, the German government also supports CSR through targeted policies, supportive information, and rewards for companies that perform social responsibility well. The Companies, including GmbH, are required to provide a complaints mechanism that is easily accessible to workers and stakeholders in the supply chain, with confidentiality and protection of the reporter guaranteed, in the context of LkSG implementation.[23] According to the Federal Agency for Economic Affairs and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle, or BAFA), this mechanism must be transparent and easy to use. limited liability companies (GmbH) must have the ability to detect and prevent human rights and environmental violations from the outset. Thus, CSR implementation in Germany not only fulfils the legal compliance dimension but also becomes an integral part of a sustainable corporate strategy in the context of globalization and cross-border responsibility.[24]

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[21] Bundesministerium der Justiz. Handelsgesetzbuch (HGB), Page 289b–289e. *Op. cit.*

[22] Bundesministerium der Justiz. Grundgesetz für die Bundesrepublik Deutschland (GG), Art. 14(2).

[23] Mittwoch, Anne-Christin, and Fernanda Luisa Bremenkamp. "The German Supply Chain Act – A Sustainable Regulatory Framework for Internationally Active Market Players?" Review of European and Comparative Law 55, no. 4 (2023):page. 200.

[24] Business & Human Rights Resource Centre. "Guidance on the Complaints Procedure under the German Supply Chain Due Diligence Act."

The use of Germany as an object of comparison in this study has a strong methodological basis due to the similarity of the civil law legal systems adopted by Indonesia and Germany. In addition, both Indonesia and Germany recognize CSR as an ethical obligation and legal tool to support the sustainable development agenda, human rights protection, and environmental preservation. Despite having similar legal systems, Germany has a more structured, systematic, and efficient CSR implementation model. This can be seen from the passing of the Supply Chain Due Diligence Act (LkSG), which binds companies, including the business form Gesellschaft mit beschränkter Haftung (GmbH), to ensure ethical and responsible business practices throughout the supply chain globally.[25]

According to Prof. Dr. Holger Fleischer from the Max Planck Institute, the regulatory LKSG is an important milestone in national legislation as it brings together aspects of private law, social responsibility and international legal standards in a strong normative framework.[26] Consistent with this perspective, the international law firm White & Case Limited Liability Partnership asserts that CSR in Germany has evolved from a voluntary approach (soft law) to a binding legal obligation (hard law), primarily as a result of the LkSG and the EU Corporate Sustainability Due Diligence Directive (CSDDD). Under these circumstances, CSR law in Germany has become an important part of contemporary corporate

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http://www.bafa.de/SharedDocs/Pressemitteilungen/DE/Lieferketten/2022_13_handreichung_beschwerdeverfahren.html. Accessed on June 27th, 2025

[25] Seneca ESG. "Germany Advances Corporate Sustainability Reporting: Government Draft of CSRD Implementation Law Approved." https://senecaesg.com/id/insights/germany-advances-corporate-sustainability-reporting-government-draft-of-csrd-implementation-law-approved. Accessed on June 27th, 2025

[26] Fleischer, Holger. Lieferkettensorgfaltspflichtengesetz als Meilenstein: Zur Internationalisierung des Unternehmensrechts. Hamburg: Max-Planck-Institut für ausländisches und internationales Privatrecht, 2023.

governance, utilizing Environmental, Social, and Governance (ESG) principles thoroughly and strategically to support global sustainability.[27]

Based on the discussion above, although CSR regulations for limited liability companies in Indonesia have a strong legal foundation for their implementation, there are still many challenges in properly applying and enforcing them. In contrast, Germany has adopted an organized and internationally standardized regulatory system, particularly through the Lieferkettensorgfaltspflichtengesetz (LkSG), which integrates CSR into business strategies and legal obligations. Given the differences in legal structures, oversight systems, and levels of implementation between the two countries, this study poses important questions such as how CSR regulations for limited liability companies in Indonesia and Germany differ, and how an ideal regulatory framework could strengthen CSR implementation in Indonesia by drawing on best practices from the German legal system. This study differs from previous research as it specifically focuses on the legal challenges in the implementation and oversight of CSR in Indonesia, particularly regarding enforcement mechanisms, regulatory harmonization, and corporate compliance with CSR obligations. Additionally, this study compares Indonesia's CSR regulatory framework with Germany's due diligence approach under the Supply Chain Due Diligence Act to identify potential legal reforms aimed at strengthening corporate accountability and enhancing the effectiveness of CSR implementation in Indonesia.

[27] White & Case LLP. "Due Diligence in Supply Chains: Update on Corporate Human Rights and Environmental Due Diligence Requirements in the EU and Germany." https://www.whitecase.com/insight-alert/due-diligence-supply-chains-update-corporate-human-rights-and-environmental-due. Accessed on June 27th, 2025

B. Problem Formulation

Based on the background as stated above, this research formulates the following problems:

1. How is the comparison of CSR regulations in limited liability companies between Indonesia and Germany?
2. What is the potential of adopting the substantive aspects of CSR regulation in Germany to improve CSR regulations within the Indonesian limited liability company legal system?

C. Research Objectives

The purpose of this study intends to answer the questions contained in the formulation of the problem, namely:

1. To analyse the regulation of Corporate Social Responsibility (CSR) in limited liability companies in Indonesia and Germany.
2. To analyse aspects of CSR regulation in Germany that are relevant and have the potential to be adapted to the Indonesian legal system as a basis for formulating the ideal CSR regulation.

D. Originality of Research

The table shows the originality of research by comparing this research with previous studies:

No	Sources	Discussion	Difference
1.	Mittwoch, Anne-Christin, and Fernanda Luisa Bremenkamp. "The German Supply Chain Act – A Sustainable Regulatory Framework for	This journal critically examines the LkSG (Lieferkettensorgfaltspflichten gesetz), the German law on corporate due diligence in supply	This thesis discusses CSR in limited liability companies with a broader scope and is comparative between Indonesia and Germany. This thesis

	Internationally Active Market Players?" *Review of European and Comparative Law* 55, no. 4 (2023): 200.	chains that came into effect on January 1, 2023. The focus of this journal is an evaluation of the scope and effectiveness of the LkSG in requiring large companies to conduct due diligence on human rights violations and environmental damage.	analyses the regulation of CSR in Limited Liability Companies through a formal legal comparison, namely Law No. 40 of 2007 and Government Regulation No. 47 of 2012 in Indonesia, with the LkSG in Germany.
2.	Sinnig, J., and D. A. Zetzsche. "The EU's Corporate Sustainability Due Diligence Directive: From Disclosure to Mandatory Prevention of Adverse Sustainability Impacts in Supply Chains." (2025).	This journal analyses CSR regulation at the EU level, particularly the Directive on Corporate Sustainability Due Diligence (CSDDD), which changes the approach to CSR from passive reporting to an active legal obligation for companies to prevent, monitor and address negative impacts on human rights and the environment throughout the global supply chain.	This thesis deals specifically with the comparison of CSR regulation between the Limited Liability Company system in Indonesia and Germany. Special emphasis is given to the formal obligations stipulated in national law, such as Article 74 of Law No. 40/2007 in Indonesia and the Lieferkettensorgfaltspflichtengesetz (LKSG) in Germany. However, this thesis is narrower, as it focuses on the implementation of CSR in limited liability companies.
3.	Gelbke, Sven, and Julian Gosmann. *An International Comparison and Study of Limited Liability Company Variants Across EU Member States*, 2025.	This is a journal that compares different types of limited liability companies (LLCs) in various EU Member States with an emphasis on the incorporation requirements, minimum capital,	This thesis discusses CSR with a focus on corporate social responsibility by comparing limited liability company regulations in Indonesia and Germany. With reference to Law No.

		notarization process, and related legal framework and management organization. The author points out differences among national regulations, such as the GmbH model in Germany, which requires a minimum capital of EUR 25,000 and strict notarization procedures to protect creditors.	40 of 2007 and Government Regulation No. 47 of 2012 in Indonesia, as well as the provisions of the GmbH as a representation of German regulations, the main discussion focuses on analyzing the legal norms underlying CSR obligations. In particular, this thesis shows how the legal structure of companies relates to the implementation of CSR as part of sustainable business practices.
4.	Mardenli, A., K. F. Sträter, C. Herrmann, and D. Sackmann. "The German Act on Corporate Due Diligence Obligations in Supply Chains: An Empirical Assessment of the Agri-Food Supply Chain Based on Experts' Perspectives." *Cleaner Logistics and Supply Chain* (2025).	In this article, an empirical study involving interviews with food industry experts thoroughly examines the implementation of the German Supply Chain Duty of Care Act (LkSG). The research emphasizes how important it is for large companies to conduct due diligence when they face risks of human rights violations and environmental damage in their supply chains. On the other hand, the study confirms that LkSGs serve as a form of mandatory CSR with a more stringent	This thesis discusses the regulation of CSR in Limited Liability Companies in Indonesia and Germany as a whole. This is done by comparing the formal legal obligations of Law No. 40/2007 and Government Regulation No. 47/2012 in Indonesia with the LkSG in Germany. This thesis analyses CSR methods in limited liability companies, the scope of companies, the types of legal obligations, and the effectiveness of sanction enforcement in the context of

		and structured legal framework compared to voluntary regulations or more general CSR reports. This provides a clear picture of the implementation of mandatory CSR in the German legal context.	limited liability company law in both countries.
5.	Kapoh, Ullio Iglesias Bithoven, Lendy Siar, and Mercy Maria Magdalena Setlight. "Aspek Hukum Tanggung Jawab Sosial (Corporate Social Responsibility) CSR di Perusahaan." *Jurnal Tana Mana* 4, no. 2 (2023): 222.	This journal discusses Indonesian laws on CSR, including Government Regulation No. 47 of 2012, Law No. 40 of 2007 on Limited Liability Companies, and Law No. 25 of 2007 on Capital Investment. The author argues that corporate social responsibility in Indonesia is now a legal obligation, and is no longer voluntary. This is especially true for companies engaged in the natural resources sector. In addition, the journal identifies various internal and external challenges faced in implementing CSR programs and uses PT Bank Mandiri as an example in implementing such programs. Overall, the journal emphasizes that CSR implementation is essential to support sustainable growth and create a harmonious	In this thesis discusses how the regulation of Corporate Social Responsibility (CSR) in Indonesia and Germany differs. This is done using a comparative approach by looking at the applicable laws in each country. The main focus is the legal subject of limited liability companies, also known as limited liability companies. He conducted a thorough analysis of the differences in the principles, structure, and types of CSR obligations stipulated in the legal systems of the two countries. The comparative law method was used in this research to identify the differences and commonalities between the two jurisdictions. In addition, this research aims to provide useful suggestions on the development of CSR

		relationship between the company and the surrounding community.	laws, particularly considering the increasing corporate social responsibility in the global era.
6.	Knoblich, D. *What Impact Will the New EU Supply Chain Directive (CS3D) and the Supply Chain Due Diligence Act (LkSG) Have on Human Rights and on Potential Companies Affected by Them?* 2024.	This journal discusses the impact of two key legal instruments, the European Union Directive (CS3D) and the German Supply Chain Due Diligence Act (LkSG) on the protection of human rights and the environment, as well as the cost and compliance burden for large and medium-sized companies in Germany and the EU. The study found that the LkSG will be enforced from 2023 and will require businesses with more than 1,000 people to implement risk management systems, grievance mechanisms, BAFA audits, and transparent and documented annual reports.	This thesis specifically compares the regulation of Corporate Social Responsibility (CSR) in various legal structures, such as the Perseroan Terbatas (PT) in Indonesia and the Gesellschaft mit beschränkter Haftung (GmbH) in Germany, using a normative and comparative juridical approach. In addition, this thesis ascertains the fundamental differences in CSR arrangements, the scope of obligated entities, the legal type of obligations undertaken, and the effectiveness of sanction mechanisms in the context of each jurisdiction, especially in its application to limited liability company-based businesses.

E. Literature Review

1. The Concept and Evolution of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a normative concept that emphasizes that companies have a responsibility to consider the social and

environmental impacts of their actions, not just to achieve economic profit.[28] From an international legal perspective, CSR is considered soft law, a set of voluntary guidelines that, while not legally binding, serve as a reference for the ethical behavior of companies around the world.[29] The idea of CSR is historically derived from the practice of industrial philanthropy that developed from the 18th century to the early 20th century.[30] In the second half of the 20th century, the concept became more systematic through international standards such as ISO 26000, which emphasizes the principles of transparency, ethics, and sustainability in business activities.[31] In addition, an international coalition of more than 200 major companies, the World Business Council for Sustainable Development (WBCSD) defines CSR as a long-term commitment by companies to operate ethically and responsibly, and how CSR can be used as a business strategy to create competitive advantage through innovation, effective risk management, and efficient use of resources.[32]

2. CSR in the Context of Limited Liability Companies

The Company has committed to support sustainable economic growth by improving the quality of life and the environment for the mutual benefit of

[28] LindungiHutan Official. "Sejarah CSR: Bagaimana Awal Perkembangan hingga Kini?" https://lindungihutan.com/blog/sejarah-csr-dan-perkembangannya. Accessed July 8th, 2025

[29] *Ibid.*

[30] LindungiHutan Official, "Sejarah CSR," accessed July 8 2025.

[31] Sorikmas. "Mengenal ISO 26000: Panduan dalam Pelaksanaan Tanggung Jawab Sosial." https://www.sorikmas.co.id/2023/06/15/mengenal-iso-26000-panduan-dalam-pelaksanaan-tanggungjawab-sosial. *Op. cit.*

[32] World Business Council for Sustainable Development. *Corporate Social Responsibility: The WBCSD's CSR Primer*. https://growthorientedsustainableentrepreneurship.wordpress.com/wp-content/uploads/2016/07/csr-wbcsd-csr-primer. *Op. cit.*

the company, its surrounding communities, and the general public.[33] This is known as CSR, Each country's legal system affects how CSR is applied to Limited Liability Companies.[34] However, in Germany, the law does not regulate CSR. Instead, corporate governance principles, business ethics, and provisions. This is seen in the passing of the Supply Chain Due Diligence Obligations Act (LkSG), which is binding on companies, including the business form Gesellschaft mit beschränkter Haftung (GmbH) and sustainability reporting is regulated by EU legal instruments such as the Corporate Sustainability Reporting Directive (CSRD).[35] In contrast, Article 74 of Law No. 40 of 2007 on Limited Liability Companies regulates corporate social and environmental responsibility (CSR) in Indonesia. Government Regulation No. 47 of 2012 clarifies this by requiring companies engaged in natural resources.[36]

3. CSR in Limited Liability Companies in Indonesia

In the Indonesian legal framework, CSR, or in Indonesian legal terms known as the Social and Environmental Responsibility, is an obligation attached to limited liability companies, especially those engaged in related to natural resources. According to M. Yahya Harahap, CSR in Limited Liability Companies in Indonesia has transformed a voluntary approach to a binding legal

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[33] Investopedia. "Corporate Social Responsibility (CSR)." https://www.investopedia.com/terms/c/corp-social-responsibility.asp. Accessed July 8th, 2025

[34] *Ibid.*

[35] Gelbke, Sven, and Julian Gosmann. *An International Comparison and Study of Limited Liability Company Variants Across EU Member States*, 2025. Page 1-2

[36] Namira Ufrida Rahmi. "Tanggung Jawab Sosial dan Lingkungan Perseroan Terbatas Pasca Lahirnya Undang-Undang Nomor 40 Tahun 2007 tentang Perseroan Terbatas*." Jurnal Ilmu Hukum 2,* no. 1 (2014): page.55.

obligation, especially for entities as a form of responsibility for the social and environmental impacts of their business activities.[37] CSR helps companies build a good relationship with the community by considering local social and cultural values as well as environmental sustainability. Article 74 of Law No. 40 of 2007 on Limited Liability Companies explicitly requires companies engaged in natural resources to implement CSR.[38]

4. CSR in Limited Liability Companies in Germany

Corporate Social Responsibility (CSR) in German Limited Liability Companies, referred to as Gesellschaft mit beschränkter Haftung (GmbH) is a legal form of limited liability company in Germany that provides full separation of corporate and shareholder liability.[39] The shareholders are not personally liable for the company's debts, except in exceptional circumstances as provided in the law. The GmbH is the most common form of business entity in Germany, suitable for small to medium-sized enterprises, and is subject to regulation as an independent legal entity distinct from its shareholders.[40] Large-scale GmbH companies are required by laws such as the Lieferkettensorgfaltspflichtengesetz (LkSG) to apply due diligence principles on human rights, social impact, and the environment throughout their global supply chain. With these provisions, more and more people are beginning to realize that CSR has turned into part of

[37] Harahap, M. Yahya. Hukum Perseroan Terbatas. 1st ed., 4th printing. Jakarta: Sinar Grafika, 2016, page. 297-300.

[38] *Ibid.*

[39] Wirth, Gerhard, Michael Arnold, Ralf Morshäuser, and Steffen Carl. Corporate Law in Germany. 4th ed. Munich: C.H. Beck, 2024. Page 45-50

[40] *Ibid.*

accountable, transparent, and sustainability-oriented corporate governance practices.[41]

F. Definition of Terms

1. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a legal obligation for companies to conduct their business activities in an ethical, transparent, and sustainable manner with due regard to social and environmental impacts. According to the World Business Council for Sustainable Development (WBCSD), CSR is a corporate commitment to support sustainable economic development by balancing business profits and social responsibility. ISO 26000, as an international guideline, emphasizes that CSR is not just a moral responsibility, but must be systematically integrated into the company's policies and operations to effectively manage social and environmental risks.[42]

2. Limited Liability Companies

A limited liability company (PT) is a form of business that provides legal protection to its shareholders by limiting their liability for the company's debts to the amount of capital they have contributed.[43] One of the main components of modern corporate law is the concept of limited liability, which states that shareholders are not personally liable for the company's debts or obligations beyond the amount of shares they own. This concept is a good way to encourage

[41] Grabosch, Robert. "The Supply Chain Due Diligence Act: Germany Sets New Standards to Protect Human Rights." Friedrich-Ebert-Stiftung, 2021:page. 3–5.

[42] Kholis, Azizul. *Op. cit.*

[43] Pramono, Nindyo. Perbandingan Perseroan Terbatas di Beberapa Negara. Yogyakarta: Pusat Kajian Hukum, Fakultas Hukum Universitas Gadjah Mada, 2012. Page 7-8

capital participation without exposing individuals to unnecessary personal financial risk.[44]

3. Comparative Law

The comparative law study involves evaluating the legal systems of other countries to identify similarities, differences, and possible applications or impacts. The primary objective of this national approach is to gain a deeper understanding of universal legal principles and enhance the effectiveness of legal protection by examining international legal practices.[45]

4. Legal Adoption

Legal adoption is the process by which a country adopts legal norms, concepts, or laws from another country's legal system or international standards into its legal system. This procedure, which can be comprehensive or selective, generally aims to improve the effectiveness of local laws or to address challenges from around the world, including international legal harmonization.[46]

G. Research Method

1. Type of Research

The normative legal method is used in this research, which relies on literature study and analysis of laws and regulations.[47] This approach is typically

[44] Pramono, Nindyo. *Op. cit.*

[45] Zweigert, Konrad, and Hein Kötz. An Introduction to Comparative Law. Translated by Tony Weir. Oxford: Oxford University Press, 1998. Page 4

[46] Reimann, Mathias. "The Progress and Failure of Comparative Law in the Second Half of the Twentieth Century." The American Journal of Comparative Law 50, no. 4 (2002): page. 671.

[47] Mahmud, Penelitian Hukum, Prenada Media.

employed to examine library resources or secondary data.[48] The main focus is to study and compare the laws governing corporate social responsibility (CSR) in limited liability companies in Indonesia and limited liability companies (GmbH) in Germany.

2. Method of approach

The author of this thesis will use several approach methods in this type of normative research, such as:

a. Statutory Approach

The statutory approach is conducted by reviewing and analysing the applicable laws and regulations related to the regulation[49] of CSR in limited liability companies in Indonesia and Germany. To answer the first problem formulation regarding how CSR is regulated in limited liability companies in both countries, this research will analyse Law Number 40 of 2007, Government Regulation Number 47 of 2012, Law Number 25 of 2007, Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation and *Lieferkettensorgfaltspflichtengesetz* (LkSG) and *Handelsgesetzbuch (*HGB) in Germany.

b. Comparative Approach

The comparative method is used to compare customer service principles (CSR) and their application to limited liability companies in

[48] Soekanto, Soerjono, and Sri Mamudji. Penelitian Hukum Normatif: Suatu Tinjauan Singkat. Jakarta: Raja Grafindo Persada. Page 13.

[49] Bachtiar. Metode Penelitian Hukum. Tangerang: UNPAM Press, 2019. Page 82.

Indonesia and Germany. The purpose of this study is to identify the similarities and differences between CSR regulation in Indonesia and Germany, particularly in terms of CSR implementation in German limited liability companies and GmbHs (Gesellschaft mit beschränkter Haftung). Using this comparative analysis, the principles, effectiveness, and success rate of CSR regulation in both countries are assessed.

c. Conceptual Approach

A conceptual approach is used to study important concepts about how CSR in limited liability companies. This approach relies on the examination of legal theories, regulatory principles, opinions of legal scholars, and legal documents such as laws and regulations and court decisions. This approach aims to establish a systematic and normative framework that can be used as a basis for the creation of a more efficient CSR regulation that complies with the requirements of the national legal system.

3. Object of Research Data

Important factors driving the urgency of CSR regulation in Limited Liability Companies in Indonesia and Germany:

1) This thesis examines normative legal sources such as Law No. 40 of 2007 concerning Limited Liability Companies and CSR legal provisions in Germany, including relevant European Union CSR regulations, and compares Corporate Social Responsibility (CSR)

regulations in Limited Liability Companies in Indonesia and Germany (Gesellschaft mit beschränkter Haftung/GmbH).

2) This thesis examining the legal concepts, approaches, and principles of CSR regulation in Germany that are considered successful and applicable in certain contexts in Indonesia, it is possible that the content of German CSR regulations could be integrated into the legal framework for limited liability companies in that country.

4. Sources of Research Data

1) Primary Legal Materials

This research uses primary legal materials in the form of laws and regulations governing corporate social responsibility in limited liability companies. In Indonesia, the legal materials include Law No. 40 of 2007 on Limited Liability Companies, Government Regulation No. 47 of 2012, and Law No. 25 of 2007 on Capital Investment as well as, Law Number 6 of 2023 concerning the stipulation of government Regulation of Law Number 2 of 2022 concerning Job Creation in Indonesia. Meanwhile, in German jurisdiction, the analysis focused on the Lieferkettensorgfaltspflichtengesetz (LkSG), Handelsgesetzbuch (HGB), as well as legal provisions related to GmbH.

2) Secondary Legal Materials

This research utilizes secondary law that includes academic literature, legal journals, and institutional publications such as ISO 26000, OECD Guidelines, UN Global Compact, Corporate

Sustainability Due Diligence Directive (CSDDD), Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA), and World Business Council for Sustainable Development (WBCSD) reports. These sources are useful for interpreting and reinforcing the primary legal materials as well as providing a comparative view of how CSR is regulated in the limited liability company framework in Indonesia and Germany.

3) Tertiary Legal Material

This thesis also uses tertiary legal materials that provide guidance and explanation of primary and secondary legal materials. These legal materials include legal dictionaries, cumulative indexes, and other reference works that help clarify and contextualize legal concepts and terms.

5. Method of Data collecting

The data collection involved a regulatory literature review of a systematic review of academic and legal sources relevant to the research topic, including legal doctrines, laws and regulations, official policies, and comparative legal studies from Indonesia and Germany. This method ensured a comprehensive understanding of the challenges and legal framework applicable to the research problem.

6. Data analysis method

The author will use literature study as the main data collection method. This research will use a Normative juridical analysis method through several integrated approaches: first, by examining the content of applicable legal norms

and principles contained in legislative texts and official documents. Second, by analysing the compatibility, effectiveness, and potential harmonization of the CSR regulatory systems between Indonesia and Germany. Finally, the conclusion of this analysis will compare the regulatory structures of the two jurisdictions to identify similarities, differences, and provide recommendations for reformulating Indonesia's CSR legal framework to strengthen sustainable corporate governance.

H. Structure of Writing

Chapter I Introduction, this chapter presents a general description of the entire research, in contains Background of the Problem, Problem Formulation, Research Objectives, Research Benefits, Literature Review, Research Methods, and Writing Framework Systematics are systematically discussed. The preparation of this chapter aims to build a clear conceptual framework as the basis for analysis in subsequent chapters.

Chapter II Literature Review, this chapter will give the theory used in the research and contain an overview of previous research regarding Corporate Social Responsibility (CSR) and limited liability companies in the Indonesian and German legal systems. This discussion is conducted to build a legal and conceptual framework to analyze how CSR is regulated in both jurisdictions and to assess the potential relevance of the German CSR model for legal reform in Indonesia.

Chapter III Discussion, will analyze the comparison of the regulation of Corporate Social Responsibility (CSR) in limited liability companies in

Indonesia and Germany. By looking at Law No. 40 of 2007, Government Regulation No. 47 of 2012 and Law No. 25 of 2007, Law Number 6 of 2023 concerning the stipulation of government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation in Indonesia, and Lieferkettensorgfaltspflichtengesetz (LkSG) and Handelsgesetzbuch (HGB) in Germany, this analysis focuses on the differences in legal obligations, enforcement mechanisms, and institutional accountability. In addition, the analysis also evaluates the potential of implementing elements of German CSR regulations in the Indonesian legal system to strengthen the principles of due diligence, transparency, and corporate responsibility. This study aims to provide juridical recommendations that will help strengthen CSR regulations in Indonesia.

Chapter IV Conclusions, this chapter is a closing that presents conclusions and recommendations based on the research results in accordance with the formulation of the problem obtaine