



Corporate Legal Responsibility for Environmental Impacts in Industrial Activities

^{1*} Yana Priyana

¹ STAI Al-Andina

*e-mail correspondence: mrpyana@gmail.com

Article Info	Abstract
<p>Keywords: Environment, Human Life Quality, Environmental Preservation, Environmental Integrity, Corporate Social Responsibility (CSR)</p>	<p><i>This passage underscores the fundamental significance of the environment in shaping the quality of human life. It accentuates the collective dedication shared among governments, societies, and businesses to safeguard and reinforce the integrity of the environment. While this commitment remains evident, obstacles surface due to corporate endeavors that seek to undermine environmental regulations in the course of industrial ventures. Such actions possess the potential to trigger extensive ecological and societal predicaments. Corporations, as legal entities, bear both rights and responsibilities. Among these obligations is the pivotal duty to uphold the equilibrium of natural resources. Against the backdrop of modern-day challenges such as forest fires and pollution, the matter of corporations' legal liability for environmental repercussions emerges as a matter of paramount importance. Within this discourse, the concept of Corporate Social Responsibility (CSR) is meticulously explored. This exploration extends to encompass social and ecological responsibility, encapsulating facets like community development and the adoption of sustainable practices. The paper forwards a compelling argument for a shift away from a profit-centric focus toward corporate practices that prioritize social and environmental considerations. This shift is deemed essential for ensuring the trajectory of sustainable development, whereby economic growth harmonizes with the preservation of ecological balance.</i></p>

This is an open access article under the CC-BY-SA license.

INTRODUCTION

The environment plays a crucial role in the quality of human life, making its preservation and protection of utmost importance. A collective pledge has emerged to address this, binding governments, societies, and businesses together to safeguard and uphold the environment's integrity. However, implementing this commitment can be challenging, as some corporate entities may attempt to erode the potency of environmental laws through pollution or ecological degradation during industrial ventures. If left unchecked, these practices can lead to a cascade of predicaments that affect individuals and the broader fabric of the daily living environment. Urgent action is essential to ensure that these practices do not

jeopardize the delicate equilibrium on which the well-being of people and their surroundings depends (Venter, 2022).

Corporations have distinctive rights and responsibilities governed by the law. One of their pivotal obligations is actively engaging in endeavors that foster equilibrium within natural resources and preserve the delicate environmental balance. Among the array of obligations that corporations are bound by, one of the most pivotal is their duty to actively engage in endeavors that foster equilibrium within natural resources, thereby preserving the delicate environmental balance. In light of pressing contemporary challenges like forest fires, the Sidoarjo mudflow disaster, mining-induced pollution, and a host of other pertinent issues, the topic that draws substantial attention is the legal accountability of corporations for the environmental repercussions stemming from their industrial activities.

This realm of corporate legal responsibility presents a captivating and complex discourse. Industries often wield significant influence over the environment due to their operations, which can leave considerable footprints on the ecological landscape. The ramifications extend beyond immediate ecological consequences to broader societal and economic impacts. As environmental concerns continue to mount, the scrutiny directed toward corporate practices intensifies, underscoring the need for more rigorous ecological policies and ethical business conduct.

Elevating the discussion, corporate environmental responsibility intersects with diverse aspects, encompassing legal frameworks, regulatory mechanisms, corporate ethics, and sustainable development imperatives. The interface between corporate actions and their ecological repercussions necessitates careful examination to formulate policies that deter harmful practices and encourage proactive engagement in environmental conservation.

The discourse surrounding corporate legal responsibility for environmental impacts is multifaceted and requires the collective involvement of various stakeholders, including governments, non-governmental organizations, academia, and corporations (7). Addressing the challenges requires a holistic approach that promotes transparency, accountability, and aligning corporate interests with broader environmental well-being (8).

In the discourse surrounding the theme, the scholarly paper “Corporate Legal Responsibility for Environmental Impacts in Industrial Activities” explores a pivotal subject. This paper aims to delve into the multifaceted landscape of corporate legal accountability concerning environmental impacts stemming from

industrial endeavors. The paper provides a comprehensive understanding of the matter by meticulously analyzing various dimensions.

Central to the paper's examination is the exploration of the legal foundation upon which corporate responsibility for environmental impacts is established. This entails a meticulous dissection of relevant national and international legal frameworks that delineate corporations' rights, obligations, and liabilities concerning their ecological footprint. Scrutinizing legislations and treaties that set the stage for holding corporations answerable for their actions within the environmental domain serves as a crucial starting point.

Furthermore, the paper delves into the diverse typology of environmental impacts corporations can trigger through their industrial activities. This involves categorizing impacts, ranging from air and water pollution to habitat destruction, resource depletion, and more. Each category presents unique challenges and intricacies, necessitating tailored strategies for mitigation, prevention, and remediation.

Navigating the labyrinth of environmental disputes forms another cornerstone of the paper's inquiry. The mechanisms by which such disputes are addressed and resolved constitute a crucial facet of the discussion. From legal proceedings and negotiations to alternative dispute resolution methods such as arbitration and mediation, the paper aims to provide insights into the diverse tools available for reconciling the interests of affected parties and ensuring that justice is served.

In the grand tapestry of this exploration, the paper guides understanding the nuanced interplay between corporate actions, legal responsibility, and environmental well-being. As industries become increasingly entwined with ecological considerations, the insights provided within this paper can offer a roadmap for crafting effective policies, promoting responsible corporate conduct, and fostering a harmonious coexistence between economic activities and environmental preservation. Ultimately, the paper seeks to contribute to the ongoing discourse by shedding light on the intricate nexus between corporations, their legal obligations, and the imperative of environmental stewardship.

RESEARCH METHODS

The methodology for the research a qualitative approach, focusing on the meticulous analysis of various legal documents, case studies, and prevailing frameworks that govern corporate responsibilities towards the environment. Data collection involves an extensive compilation of pertinent legal cases, international

treaties, and national laws that are specifically tailored to environmental protection. This comprehensive assembly of legal precedents and statutes is pivotal in facilitating a deep understanding of the legal landscape surrounding corporate environmental accountability. The core of the analysis employs content analysis techniques to scrutinize the specifics of legal provisions, which are then critically compared against international standards. This comparative analysis is instrumental in identifying gaps, inconsistencies, and the overall effectiveness of the legal frameworks in place to hold corporations accountable for their environmental impacts. This methodology not only enhances the understanding of the current legal environment but also sets the stage for recommending more robust legal mechanisms to ensure corporate compliance with environmental standards.

RESULTS

Legal Basis for Corporate Legal Liability for Environmental Impacts in Industrial Activities

The essence of the Principles of Social and Environmental Responsibility for Companies lies in enhancing its capacity to effectively navigate and adapt within its broader context, encompassing its operational landscape and the intricate web of communities and stakeholders it interfaces with. This includes a spectrum that ranges from local to national and even global dimensions. Companies can embrace social responsibility by adopting policies that promote society's and the environment's well-being while lessening negative impacts.

The principles of corporate environmental responsibility emphasize the importance of responsible resource management, environmental impact reduction, and integrating eco-friendly practices into business models. Corporate environmental ethics has moved from a niche issue within business strategy to a potential source of competitive advantage, and firms can create eco-capabilities to convey environmental values (Enderle, 1997)

These principles underscore companies' need to embrace a holistic perspective that extends beyond immediate profit-seeking. Instead, they advocate for an approach encompassing social and environmental considerations as integral components of a company's strategy and operations. By acknowledging the interdependence between a company and its surroundings, these principles acknowledge corporations' role in shaping and being shaped by the various communities, ecosystems, and interests they interact with.

The social facet of the Principles of Social and Environmental Responsibility for Companies emphasizes building and nurturing constructive relationships with local communities (4)(5). A company's actions and operations can significantly impact the well-being of these communities, influencing aspects such as employment opportunities, resource utilization, and overall quality of life. Embracing social responsibility involves fostering inclusivity, ethical labor practices, and community engagement, recognizing that a harmonious relationship with local communities is mutually beneficial (6).

On the environmental front, these principles emphasize companies' essential role in environmental preservation and sustainability. The intricate web of ecosystems and natural resources forms the bedrock of economic and social well-being. Acknowledging this, the principles advocate for responsible resource management, environmental impact reduction, and integrating eco-friendly practices into business models.

Transnational corporations have a significant role in biosphere stewardship, and their actions, combined with effective public policies and improved governmental regulations, could substantially accelerate sustainability efforts (Folke et al., 2019). Corporate environmental ethics has moved from a niche issue within business strategy to a potential source of competitive advantage. Firms can create eco-capabilities to convey environmental values (Yang & Liu, 2018). Transnational corporations have a significant role in biosphere stewardship, and their actions, combined with effective public policies and improved governmental regulations, could substantially accelerate sustainability efforts (Hazbi & Mounir, 2023). Therefore, aligning with the principles involves considering the global implications of decisions, valuing international standards, and actively contributing to global sustainable development.

Ultimately, the Principles of Social and Environmental Responsibility for Companies guide businesses towards a more holistic, ethical, and sustainable approach to their operations. By acknowledging their role as integral members of a larger societal and environmental fabric, companies can thrive economically and contribute positively to the well-being of communities, ecosystems, and stakeholders at large.

In Law Number 40 of 2007 concerning Limited Liability Companies, Article 1 number 3 states that: "Social and Environmental Responsibility is the Company's commitment to participate in sustainable economic development to improve the quality of life and the environment that is beneficial, both for the Company itself,

the local community, and society in general." Meanwhile, Law Number 25 Year 2007 on Capital Investment Article 15 letter b states, "Every investor is obliged to: (b) implement corporate social responsibility." In the elucidation of Article 15 letter b, it is stated that "What is meant by corporate social responsibility is the responsibility inherent in every investment company to continue to create harmonious, balanced, and appropriate relationships with the environment, values, norms, and culture of the local community".

The CSR obligations for companies as outlined in the two laws above, according to Mukti Fajar, need to be clarified because (1) there are differences in the definitions and terminology used by the laws. Law No. 25/2007 on Capital Investment Article 15 letter b states, "Every investor is obliged to: (b) implement corporate social responsibility." While in Law No. 40/2007 on Limited Liability Companies, the term "social and environmental responsibility" is used, in addition, Law No. 25/2007 on Investment uses the word "inherent responsibility" while Law No. 40/2007 on Limited Liability Companies uses the word "corporate commitment" these two terms according to Mukti Fajar cannot be interpreted as the same. There is also a difference in the purpose of CSR obligations for companies in the two laws: in the Law on Limited Liability Companies, the obligation is aimed at improving the quality of life of the community, while CSR obligations for companies in the Law on Capital Investment are aimed at creating harmonious relationships.

The narrow scope of CSR includes (1) social responsibility to employees; (2) social responsibility to stakeholders, i.e., external parties that influence the corporation's running. These parties either directly or not have a legal relationship either contractually or because of the law with the corporation, namely consumers and partners; (3) Social Responsibility to the General Public. The scope of CSR to the general public is the development of local communities (communities around the corporation) and or the general public (a group of people who do not have a contractual relationship with the corporation. The general public does not include consumers, employees or other third parties). In the context of CSR, community development is measured based on the increase in the community's quality of life concerning the values of justice and equality of opportunity, choice of participation, reciprocity, and togetherness. Community development is done through empowerment and also includes education.

Companies must implement Social and Environmental Responsibility/CSR. The company is no longer an entity only concerned with itself or seeking profit (taking profit). CSR is an idea where companies are no longer faced with

responsibilities based on a single bottom line, namely the company's value (corporate value), reflected in its finances (financial). Still, the company's responsibility must be based on social and environmental. It is a fact that the resistance of surrounding communities in various places and times has surfaced against companies that are not paying attention to social, economic, and environmental aspects¹⁰. Many companies have protested, revoked their operational licenses, and even destroyed the community around the company's location because of ecological damage due to the company only extracting and exploiting natural resources in the area without paying attention to environmental factors. In addition, the company lacks attention and responsibility to the workforce and the welfare of the surrounding community.

CSR, in general, is a comprehensive contribution from the business world to sustainable development, taking into account the economic, social and environmental impacts. As one of the beyond compliance, the application of CSR is currently growing rapidly, including in Indonesia, as a response to the business world that sees environmental and social aspects as an opportunity to increase competitiveness and as part of risk management towards sustainability of its business activities. The core of CSR implementation is the urge to preserve natural resources to remain sustainable.

Sustainable development is defined as a principled development process. According to Jhion Elkington, sustainable development encompasses three policies: Social development, environmental development, and economic development (people, planet & profit), being the issue of sustainable development is the core of CSR that needs to be understood in a related manner, not separately. Development activities carried out in various forms of business and/or actions will cause an impact on the environment. With the application of sustainable and environmentally sound principles in the development implementation process, the effect on the environment caused by various development activities is analyzed from the beginning of its planning so that steps to control adverse effects and develop positive impacts can be prepared as early as possible.

Environmental management and environmental monitoring efforts, hereinafter referred to as UKL-UPL, are the management and monitoring of businesses and/or activities that do not significantly impact the environment necessary for the decision-making process regarding the implementation of businesses and/or actions. The UKL-UPL examination process is integral to the application and issuance process for an Environmental Permit. With the inclusion

of UKL-UPL in the Business and/or Activity planning process, the Minister, governor, or regent/mayor, by their authority, obtain extensive and in-depth information related to the environmental impacts that may occur from a Business and/or Activity plan and its control measures, both from technological, social, and institutional aspects. Based on this information, decision-makers can determine whether a Business and/or Activity plan is feasible, not feasible, approved, or rejected, and its environmental license can be issued.

Environmental Dispute Settlement Mechanism Involving the Company as a Responsible Party

Development activities carried out in various forms of business and/or actions will cause impacts on the environment. With the application of sustainable and environmentally sound principles in the development implementation process, the effect on the environment caused by various development activities is analyzed from the beginning of its planning so that steps to control negative impacts and develop positive impacts can be prepared as early as possible. Environmental management and environmental monitoring efforts, hereinafter referred to as UKL-UPL, are the management and monitoring of businesses and/or activities that do not significantly impact the environment necessary for the decision-making process regarding the implementation of businesses and/or actions.

UKL-UPL is also one of the requirements for obtaining an Environmental Permit. The UKL-UPL examination process is integral to the application and issuance process for an Environmental Permit. With the inclusion of UKL-UPL in the Business and/or Activity planning process, the Minister, governor, or regent/mayor, by their authority, obtain extensive and in-depth information related to the environmental impacts that may occur from a Business and/or Activity plan and its control measures, both from technological, social, and institutional aspects. Based on this information, decision-makers can determine whether a Business and/or Activity plan is feasible, not feasible, approved, or rejected, and its environmental license can be issued.

An environmental Dispute is a dispute between two or more parties arising from the existence or suspected existence of ecological pollution or destruction. Environmental disputes ("environmental disputes") are a "species" of the "genus" of disputes that contain conflict or controversy in the environmental field, which is lexically defined: "Dispute. A conflict or controversy; a conflict of claims or rights; an assertion of a right, claim, or demand on one side, met by contrary claims or allegations on the other" The terminology of "dispute resolution" has various

English references: "dispute resolution", "conflict management", "conflict settlement", "conflict intervention". In a dispute, including environmental disputes, there is not only a "dispute between the parties", but a dispute accompanied by a "claim". Claims are the primary attribute of the existence of a dispute (conflict). Thus, the formulation of Article 1 paragraph 19 of the UUPH which only defines environmental disputes as "disputes between two or more parties ..." without including "claims" is incomplete and does not fully represent the existence of a dispute

In addition to being resolved in court, environmental disputes can be determined using out-of-court dispute resolution mechanisms (non-litigation). The purpose of regulating out-of-court dispute resolution is to protect the civil rights of the parties to the dispute in a fast and efficient manner. This is because dispute resolution through litigation takes a long time and is relatively costly. This is because the dispute resolution process could be faster, the court litigation cost is expensive, and the court is considered less responsive in resolving cases. Hence, decisions are often unable to solve problems, and the accumulation of cases at the Supreme Court level still needs to be solved.

Out-of-court settlement of environmental disputes is organized to reach an agreement on the form and amount of compensation and/or on specific actions to ensure that there will be no occurrence or recurrence of negative impacts on the environment. The out-of-court settlement of environmental disputes can be facilitated through the services of third parties, both those without decision-making authority and those with decision-making authority, to help resolve environmental disputes, such as the Government and/or the community. The community, in this case, can form an institution providing environmental dispute resolution services that are free and impartial.

In amicable dispute resolution, no party makes the decision to settle the dispute. The involvement of a third party in amicable dispute resolution is to try to get the parties to the dispute to agree to settle their dispute. The forms of amicable dispute resolution are negotiation, mediation and conciliation.

1. Negotiation is a peaceful dispute resolution in which the parties are directly without the participation of a third party.
2. Mediation and conciliation are peaceful dispute resolution where a third party intervenes.

The difference between conciliation and mediation lies in whether the third party is active. in trying to get the parties to settle the dispute. When viewed from the

nature of amicable dispute resolution, this settlement is ideal as justice arises from the parties. It should be emphasized here that amicable dispute resolution requires the voluntariness of the disputing parties. With voluntariness between the parties, peaceful dispute resolution is possible.

CONCLUSION

Companies must carry out Social and Environmental Responsibility (CSR). The company is no longer an entity only concerned with itself or seeking profit (taking profit). CSR is an idea where companies are no longer faced with responsibilities based on a single bottom line, namely the company's value (corporate value) is reflected in the financial (financial), but the company's responsibility must be based on social and environmental. So formally, Corporate Social Responsibility was only regulated in 2007, in Article 74 of Law Number 40 of 2007 concerning Limited Liability Companies. The mechanism of environmental settlement can be through litigation and non-litigation efforts. Payment through litigation can be made through court legal means by filing an "environmental lawsuit" based on Article 34 UUPH jo. Article 1365 BW on "compensation for damages due to unlawful acts. While settlement through non-litigation can be through the use of arbitration institutions.

Suggestion

To avoid environmental damage caused by a company, the company must be more careful in running its business not to have an ecological impact on the surrounding community. And therefore, AMDAL and UKL-UPL can further emphasize the systems and rules that have been made so that a company that is indeed dangerous can stop continuing its development. Non-litigation dispute resolution mechanisms must be more socialized because only some know about these procedures.

REFERENCE

- Enderle, G. (1997). In search of a common ethical ground: Corporate environmental responsibility from the perspective of Christian environmental stewardship. *Journal of Business Ethics*, 16(2), 173–181. <https://doi.org/10.1023/A:1017944430213>
- Folke, C., Österblom, H., Jouffray, J. B., Lambin, E. F., Adger, W. N., Scheffer, M., Crona, B. I., Nyström, M., Levin, S. A., Carpenter, S. R., Anderies, J. M., Chapin, S., Crépin, A. S., Dauriach, A., Galaz, V., Gordon, L. J., Kautsky, N., Walker, B.

- H., Watson, J. R., ... de Zeeuw, A. (2019). Transnational corporations and the challenge of biosphere stewardship. *Nature Ecology and Evolution*, 3(10), 1396–1403. <https://doi.org/10.1038/s41559-019-0978-z>
- Hazbi, F. E. L., & Mounir, Y. (2023). Environmental, social, and governance (ESG) practices and Environmental performance: The mediation role of Technology Innovation. *E3S Web of Conferences*, 412. <https://doi.org/10.1051/e3sconf/202341201009>
- Venter, F. (2022). Environmental Stewardship: Confluence of Law and Religion? F VENTER. *Potchefstroom Electronic Law Journal*, 25(25), 1–30. <https://doi.org/10.17159/1727-3781/2022/v25ia13879>
- Yang, A., & Liu, W. (2018). Corporate Environmental Responsibility and Global Online Cross-sector Alliance Network: A Cross-national Study. *Environmental Communication*, 12(1), 99–114. <https://doi.org/10.1080/17524032.2016.1249900>