

# Adopting Environmental, Social, and Governance Principles by Corporations in Batam City, Indonesia: Realization of Sustainability

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[https://doi.org/10.35609/gcbssproceeding.2024.1\(37\)](https://doi.org/10.35609/gcbssproceeding.2024.1(37))

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## ABSTRACT

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Batam City, as one of the largest cities in the Riau Islands Province, has evolved into an industrial hub, playing a pivotal role in the national economic development. There are 26 industrial zones in Batam, encompassing both Domestic and Foreign Direct Investment. Despite the significant investment potential, the issue of environmental and social violations by companies, along with the imperative need for environmental, Social, and Governance (ESG) implementation by corporations, has emerged as a crucial concern in this City. Therefore, this study aims to analyse the application of ESG by corporations in Batam City. Additionally, it seeks to identify the challenges in ESG implementation and propose optimal solutions. To achieve these objectives, the study adopts an empirical socio-legal approach through in-depth interviews with 10 corporations in Batam City supported by literature reviews and document analysis. The study's findings conclude that nearly all corporations in Batam City are making efforts to implement ESG. However, they face similar challenges due to unfamiliarity of their business partners of ESG and the high cost of ISO certification. To respond these challenges, corporations should promote and educate their business partners on the benefits of ESG implementation and collaborate with other corporations to conduct ISO certification collectively to lessen the certification's high cost.

**Keywords:** Environmental; Social; and Governance (ESG); Corporations; Batam City; Indonesia.