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Mandatory but Unverified: A Socio-Legal Analysis of ESG Disclosure Decoupling under POJK 51/2017 and ASEAN-5 Regimes

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A B S T R A C T

Indonesian law makes corporate sustainability disclosure mandatory, yet doubt attends it: that firms produce the appearance of compliance, not its substance. This article turns that doubt into a legal question and a measurable test. Framed as empirical socio-legal research anchored in Article 74 of UU No. 40/2007 and POJK No. 51/POJK.03/2017, it distinguishes the breadth of what firms are legally induced to commit to from the depth to which commitments are verified, coding both from primary documents. A structured content analysis of the fiscal 2023–2024 sustainability reports of fifty large-cap firms — ten per ASEAN-5 market — scored fourteen binary indicators (six symbolic, eight substantive), with reliability confirmed by a blind second coder (Cohen's kappa 0.784). Symbolic commitment was near-saturated (mean 0.97) while substantive verification was uneven (0.74), producing a mean gap of +0.235; 78% of firms disclosed more than they verified. Decisively, the two dimensions were statistically independent (Spearman rho = 0.08, p = 0.57): the breadth of a firm's promises carried no information about their verification. The gap tracked regime maturity (Kruskal-Wallis p = 0.002), rising from Singapore (0.07) to the Philippines (0.41), and shrank under state ownership, but was unrelated to environmental exposure. The binding constraint on credible compliance is therefore the legal demand for verification, not corporate ambition. The article assesses Indonesia's regime *de lege lata* and proposes three *de lege ferenda* reforms — mandatory external assurance, prescribed Scope 1–3 reporting, and enforced comparability with graduated sanctions — grounded in the 1945 Constitution and ISSB convergence.

1. Introduction

The transformation of corporate environmental accountability from voluntary philanthropy into legally mandated disclosure is among the most consequential regulatory developments of the past decade, and Indonesia has been an active participant in it. Every major exchange in Southeast Asia now compels listed firms to publish sustainability information, and Indonesia's Financial Services Authority (Otoritas Jasa Keuangan, OJK) has, through POJK No. 51/POJK.03/2017 on the Implementation of Sustainable Finance and its companion circular SEOJK No. 16/SEOJK.04/2021, made an annual sustainability report obligatory for issuers and public companies. This regulatory turn rests on older statutory foundations — the social and environmental responsibility (*tanggung jawab sosial dan lingkungan*) duty in Article 74 of UU No. 40/2007 on Limited Liability Companies, the investor obligation in Article 15 of UU No. 25/2007 on Investment, and the environmental-management architecture of UU No. 32/2009 — and it now sits within the consolidated financial-sector framework of UU No. 4/2023. Yet a persistent scholarly and public suspicion shadows this profusion of mandated reporting: that much of it is decoupled from underlying corporate conduct, and that firms have learned to manufacture the appearance of legal compliance without its substance.[1-3]

Decoupling is a precise analytical concept, not a rhetorical accusation. In institutional theory it denotes the gap that opens when organisations adopt legitimated structures ceremonially while their actual activities proceed on other logics [4]. Bromley and Powell refine the idea into two forms — policy-practice decoupling, where adopted policies are not implemented, and means-ends decoupling, where practices are implemented but disconnected from outcomes. Applied to a mandatory disclosure regime, the concept exposes a distinction that the compliance debate routinely blurs: between the breadth of what a firm commits to and claims, which is cheap to produce and confers legitimacy, and the depth to which those claims are verified, quantified and made accountable, which is costly and constraining. A firm can satisfy the letter of a disclosure mandate on the first dimension while remaining thin on the second. Where it does, its report is symbolically rich and substantively hollow — the legal signature of decoupling, and the point at which mandatory disclosure risks becoming, in the classic institutional phrase, myth and ceremony.

This is a live problem for Indonesian law specifically. The Constitutional Court has already affirmed that the State may compel corporate social and environmental responsibility: in Putusan No. 53/PUU-VI/2008 it upheld Article 74 of UU No. 40/2007 against a challenge that mandatory responsibility violated the freedom of contract and legal certainty, reasoning that the constitutional commitment to an economy conducted on the principle of environmental sustainability (Article 33(4) of the 1945 Constitution) and the right to a good and healthy environment (Article 28H(1)) justify a mandatory rather than merely voluntary regime. The constitutional question is therefore settled; what remains unsettled, and what this article addresses, is whether the disclosure that the mandate produces actually discharges the substantive purpose the Court identified, or merely its form. Recent comparative work on reporting mandates confirms that legal compulsion alone does not guarantee substance: the economic value of a disclosure regime turns on whether the information is assured, comparable and consequential, not merely required [5-8].

Three questions organise the analysis. First, how large is the symbolic-substantive gap among the region's leading firms, and is it systematic? Second, does symbolic commitment predict substantive verification — do firms that promise more also verify more, or are the two legally independent? Third, what explains variation in the gap: the maturity of the national disclosure regime, a firm's environmental exposure, or its ownership? Answering these questions requires treating decoupling not as an inferred motive but as an observable property of the disclosure document itself, coded directly and reproducibly from the report that the law requires the firm to publish.

The article makes three contributions. First, it operationalises regulatory decoupling as a reproducible, law-anchored metric — the gap between an index of symbolic commitment and an index of substantive verification — that any regulator, auditor or court can re-run against the same primary documents, without recourse to proprietary ESG ratings whose divergence is itself well documented [9,10]. Second, it locates the Indonesian disclosure regime within a functional-equivalence comparison of the five ASEAN markets, showing where Indonesian law sits on a verification-stringency gradient and why. Third, it converts the empirical findings into a critical *de lege lata* assessment of POJK No. 51/2017 and three concrete *de lege ferenda* reform proposals directed at named institutional actors. The remainder of the article proceeds as follows: Section 2 sets out the legal-theoretical framework and hypotheses; Section 3 details the socio-legal method, sources and instrument; Section 4 reports the results; Section 5 develops the legal analysis, comparison and reform proposals; and Section 6 concludes.

Two theoretical traditions frame the study and connect it to law. Legitimacy theory holds that firms disclose in order to secure and maintain a social licence to operate, aligning their visible conduct with the values of the constituencies on which they depend; disclosure is, on this view, an instrument of impression management as much as of information provision [3,11]. Institutional theory sharpens the mechanism. Institutional theory explains how organisations adopt legitimated practices as ceremonial structures decoupled from technical activity, and Bromley and Powell's contemporary reformulation distinguishes the policy-practice and means-ends variants of decoupling that a disclosure mandate can generate [4,12]. A mandatory sustainability-reporting regime is a paradigmatic site for both: the law supplies the legitimated template, and the firm's incentive is to adopt its most visible, lowest-cost elements first.

The applied literature on greenwashing supplies the observable correlates. Delmas and Burbano model greenwashing as the joint occurrence of poor environmental performance and positive communication about it [13], and a large recent body of empirical work finds that higher ESG disclosure does not reliably signify better ESG performance or conduct [14-18]. The methodological difficulty that has dogged this literature is that performance is hard to observe independently, particularly in emerging markets where controversy and emissions data are proprietary or absent. This study responds not by proxying performance but by disaggregating the legally mandated disclosure itself into a dimension that is cheap and legitimacy-conferring — symbolic commitment — and a dimension that is costly and constraining because it exposes the firm to verification, comparison and accountability — substantive depth. The wedge between them is the observable footprint of decoupling within the four corners of the document the law compels.

From this framing four expectations follow. H1 (the gap): symbolic commitment will exceed substantive verification on average, producing a positive symbolic-substantive gap. H2 (independence): if symbolic disclosure functions as legitimacy signalling rather than as a credible signal of underlying rigour, symbolic and substantive scores will be statistically independent. H3 (regime): the gap will be smaller in jurisdictions with more mature mandatory-disclosure and assurance regimes, because verification responds to legal demand. H4 (exposure and ownership): environmentally high-impact firms face stronger scrutiny and may either verify more (accountability) or decouple more (defensive symbolism), an open question; state-linked firms, subject to public accountability and better resourced for assurance, are expected to decouple less.

3. Methods

Research type

This is empirical socio-legal research. It examines law in action rather than law in the books alone, treating the sustainability report mandated by POJK No. 51/2017 as the primary legal object and asking whether the disclosure the regime produces satisfies its substantive purpose. The approach is appropriate because the research question — whether a mandatory disclosure regime delivers verifiable compliance or symbolic legitimacy — is inherently empirical and cannot be resolved by doctrinal interpretation alone; it requires systematic, reproducible observation of what regulated firms actually disclose. The design combines a quantitative content analysis of primary documents with a doctrinal and comparative legal analysis of the regimes that govern them, and it culminates in a normative *de lege lata* / *de lege ferenda* evaluation.

More precisely, the design is sequential mixed-method and cross-sectional: a quantitative measurement phase (coding and non-parametric inference) is followed by a qualitative-doctrinal interpretation phase (statutory interpretation, comparison and reform). The quantitative phase is descriptive-inferential rather than causal, and claims about the effect of regulatory maturity are therefore associational. The design sits squarely in the 'law in action' socio-legal tradition, in which content analysis is applied to legal and quasi-legal documents to observe how a norm operates in practice.

Sample

The sample comprises fifty firms, ten from each ASEAN-5 market — Indonesia (IDX), Malaysia (Bursa Malaysia), Singapore (SGX), Thailand (SET) and the Philippines (PSE). Within each market the firms were selected among the largest by market capitalisation, with deliberate spread across sectors so that environmentally high-impact industries (energy, mining, materials, plantation and agri-food, utilities, transport and real estate) and low-impact industries (banking, telecommunications, healthcare, consumer and diversified holdings) are both represented. Twenty-four firms are high-impact and twenty-six low-impact; twenty-two are state-linked. For each firm the most recent sustainability disclosure available at the time of collection (fiscal year 2023 or 2024) was retrieved directly from the company's own website or investor-relations portal, and the retrieved document URL is recorded for every firm in the accompanying dataset. Because the largest firms are the best-resourced reporters, this sampling frame yields a conservative — that is, lower-bound — estimate of the decoupling gap for each market as a whole; controlling for the well-documented influence of firm size on disclosure scores strengthens rather than weakens the inference [8].

Coding instrument

Each report was coded against fourteen binary indicators grouped into two indices, each indicator defined in full in Table 1, following an established content-analysis protocol. The symbolic-commitment index comprises six indicators of commitment breadth that are inexpensive to assert and confer legitimacy: a long-term net-zero or carbon-neutral pledge; reference to two or more international frameworks (GRI, SASB, TCFD/ISSB, the SDGs, the UN Global Compact); a standalone report; a leadership sustainability statement; a described materiality assessment; and the showcasing of ESG awards or index memberships. The substantive-verification index comprises eight indicators of verification depth that are costly and expose the firm to scrutiny: external independent assurance; absolute Scope 1 and 2 emissions in tonnes; Scope 3 emissions; a quantified target with an explicit baseline year; a science-based or 1.5°C-aligned target; disclosure of negative information such as incidents, fines or missed targets; multi-year quantitative comparatives; and a board-level ESG committee coupled to executive remuneration [19]. Each index is normalised to a 0–1 scale, and the decoupling gap is the symbolic score minus the substantive score. The indicators map directly onto the substantive requirements that mature disclosure regimes and the ISSB standards impose, so a low substantive score is not a matter of reporting taste but of divergence from the emerging legal-technical standard of care.

Because four indicators generated all coding disagreements, their operational decision rules are stated explicitly and reproduced in the supplementary codebook: external assurance is coded present only where an independent practitioner issues a formal assurance statement against a recognised standard (e.g., ISAE 3000), not where the report uses assurance-like language; absolute Scope 2 is coded present only where emissions are reported in tonnes rather than as intensity; a standalone report is coded present where sustainability disclosure is a discrete document or a clearly delineated section filed in discharge of the POJK obligation; and a remuneration linkage is coded present only where the report states that ESG metrics enter executive pay determination. The high-impact/low-impact and state-linked classifications were coded against a fixed rule (majority sectoral activity; >20% direct or indirect government ownership) and were included in the reliability subsample.

Reliability

To assess coding reliability a blind second coder independently re-coded a random subsample of eight firms (112 indicator judgments) using only the codebook and the retrieved reports. Agreement was 92.0% with Cohen's kappa = 0.784 (95% CI 0.65–0.92), in the conventional 'substantial' range, and a prevalence-adjusted kappa of 0.84. The nine disagreements fell entirely on the substantive index and on genuinely difficult judgments — whether a report carries formal assurance rather than assurance-like language, whether Scope 2 is disclosed in absolute terms or only as intensity, whether a combined annual-and-sustainability report counts as standalone, and whether ESG is formally linked to remuneration. These are precisely the constructs where the legal standard is most demanding, and the study's inferences on them are correspondingly cautious.

Table 1. Coding instrument: symbolic-commitment and substantive-verification indicators.

Index	Indicators	Rationale
Symbolic commitment (6)	S1 net-zero/long-term pledge; S2 ≥2 international frameworks (GRI, SASB, TCFD/ISSB, SDGs, UNGC); S3 standalone report; S4 leadership statement; S5 materiality assessment; S6 ESG awards/index memberships	Cheap to assert; confers legitimacy; low exposure to verification
Substantive verification (8)	V1 external assurance; V2 absolute Scope 1+2; V3 Scope 3; V4 target with baseline year; V5 science-based/1.5°C target; V6 negative-information disclosure; V7 multi-year comparatives; V8 board ESG committee + remuneration link	Costly; exposes the firm to scrutiny, comparison and accountability

Sources and analysis

The primary sources are of two kinds. The empirical primary sources are the fifty sustainability reports themselves, treated as the documentary output of the disclosure mandate. The legal primary sources are the governing instruments — for Indonesia, UUD 1945 (Articles 28H(1) and 33(4)), UU No. 40/2007 (Article 74), UU No. 25/2007 (Article 15), UU No. 32/2009, UU No. 4/2023, POJK No. 51/POJK.03/2017, SEOJK No. 16/SEOJK.04/2021, PP No. 47/2012, and Putusan MK No. 53/PUU-VI/2008; and, for the comparators, the SGX-ST Listing Rules and climate-reporting roadmap, the Bursa Malaysia framework and the National Sustainability Reporting Framework, Thailand's Form 56-1 One Report, and the Philippine SEC Memorandum Circular No. 4 of 2019 — read against the international standards of the ISSB (IFRS S1/S2), the GRI and the TCFD. The symbolic and substantive indices were compared with the Wilcoxon signed-rank test (H1) and their association assessed with Spearman correlation (H2). Cross-jurisdiction variation in the gap was tested with the Kruskal-Wallis test (H3), and differences by environmental impact and ownership with the Mann-Whitney U test (H4); non-parametric tests are appropriate to binary/ordinal indicators and the modest sample. Significance was evaluated at alpha = 0.05, and the complete coded dataset, reliability key and analysis script accompany the article.

Three inferential safeguards are reported. First, because H4 involves a family of subgroup comparisons, the secondary tests (ownership, exposure) are interpreted with a Holm adjustment and are reported with rank-biserial effect sizes; the primary results (the gap and the independence) are strong enough to survive correction. Second, a sensitivity analysis re-computed the substantive index under an alternative scheme double-weighting external assurance and science-based targets; the jurisdictional ordering and the eleven-firm decoupling quadrant were stable, and the assurance indicator alone reproduces the jurisdictional gradient, so the results are not an artefact of equal weighting. Third, to make the reproducibility claim demonstrable, the coded 14×50 matrix, the codebook, the analysis script and an archived copy of every source report are deposited in a public repository with a persistent identifier; the study is therefore independently re-runnable, which is a precondition for the supervisory use proposed below.

Ethics

The study analyses publicly available corporate reports and involved no human subjects; no ethics-committee approval was required.

4. Results and Discussion

The gap: broad commitment, uneven verification

The symbolic index is near-saturated. Every one of its six indicators is present in 92–100% of firms: reference to international frameworks and a materiality assessment are universal, and net-zero pledges, standalone reports, leadership statements and showcased ESG accolades are nearly so. The mean symbolic score is 0.97. The substantive index is markedly lower and far more variable, with a mean of 0.74. Within it, basic quantification is common — 94% disclose absolute Scope 1 and 2 emissions and provide multi-year comparatives — but the demanding indicators thin out: external assurance and negative-information disclosure appear in 76%, Scope 3 in 74%, science-based targets in only 40%, and board-level accountability linked to remuneration in only 50%, as detailed in Table 2 and illustrated in Figure 1.

Table 2. Prevalence of each indicator (N = 50).

Substantive-verification indicator	% firms	Symbolic indicator	% firms
V2 Absolute Scope 1+2	94	S2 Frameworks	100
V7 Multi-year comparatives	94	S5 Materiality	100
V4 Target + baseline year	84	S1 Net-zero pledge	98
V1 External assurance	76	S6 ESG awards	98
V6 Negative-information disclosure	76	S4 Leadership statement	94
V3 Scope 3	74	S3 Standalone report	92
V8 Board ESG + remuneration link	50	—	—
V5 Science-based target	40	—	—

Note: Symbolic mean 0.97; substantive mean 0.74; mean gap +0.235 (SD 0.216). Wilcoxon z = −5.41, p < 0.001.

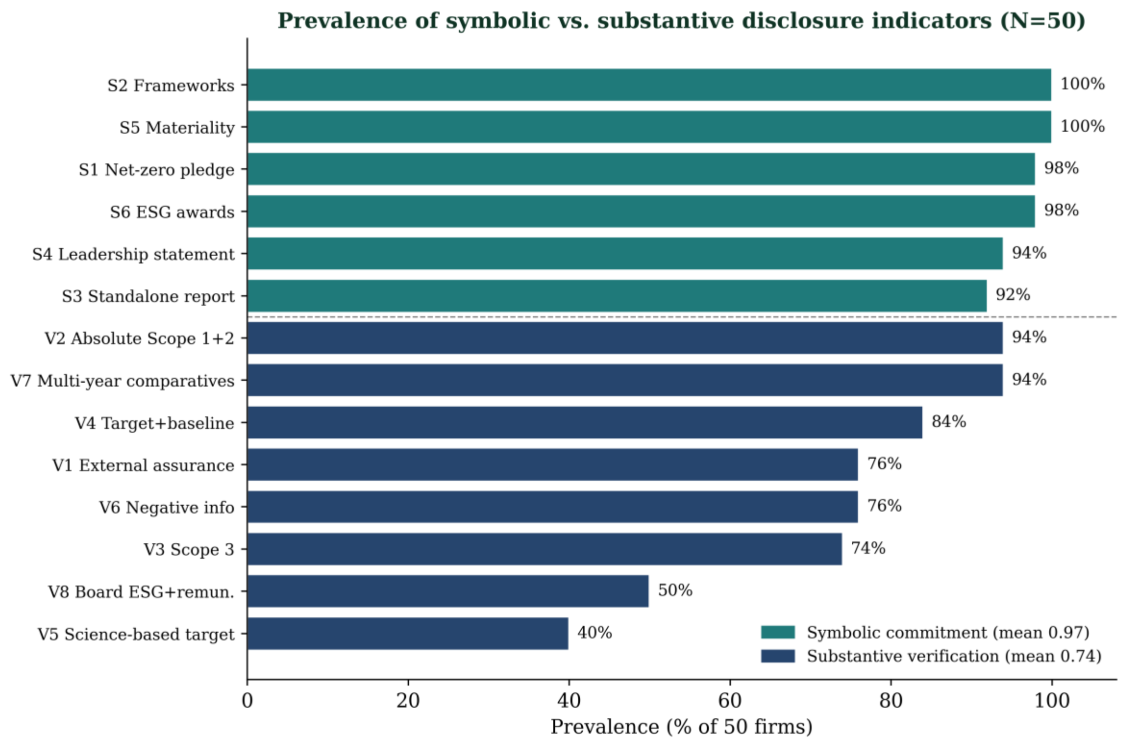

Figure 1. Prevalence of symbolic (teal) versus substantive (navy) disclosure indicators.

The resulting symbolic-substantive gap is positive and substantial: mean +0.235 (SD 0.216), with 78% of firms disclosing more than they verify. The Wilcoxon signed-rank test confirms that symbolic exceeds substantive disclosure across the sample ($z = -5.41$, $p < 0.001$). Eleven firms — 22% of the sample — combine near-maximal commitment (five or six symbolic indicators) with weak verification (four or fewer substantive indicators), the profile most consistent with symbolic decoupling. H1 is supported.

Independence: promising more does not mean verifying more

The most consequential finding concerns the relationship between the two indices. If symbolic breadth signalled underlying rigour, firms scoring highly on commitment should also score highly on verification. They do not. The Spearman correlation between the symbolic and substantive scores is 0.08 and statistically indistinguishable from zero ($p = 0.57$). The breadth of a firm's ESG promises therefore carries essentially no information about whether those promises are verified. Figure 2 makes the point visually: firms are pinned against the symbolic ceiling but spread across the entire range of the substantive axis, and almost all sit above the line of equal disclosure. H2 is supported, and it is the empirical heart of the argument: legally induced ESG commitment and ESG verification are, in this sample, orthogonal properties of the same mandated reports.

Two points of interpretation are warranted. The 95% confidence interval for the correlation includes zero (approximately −0.20 to 0.35), confirming the null with adequate precision. And the low correlation is partly a mechanical consequence of the near-saturation of the symbolic index: with five of six symbolic indicators present in 92–100% of firms, the symbolic score has almost no variance and cannot covary with anything. Far from weakening the finding, this is its substantive meaning — commitment is uninformative precisely because it is universal — but the statistic should be read as evidence of symbolic saturation rather than of a surprising behavioural independence.

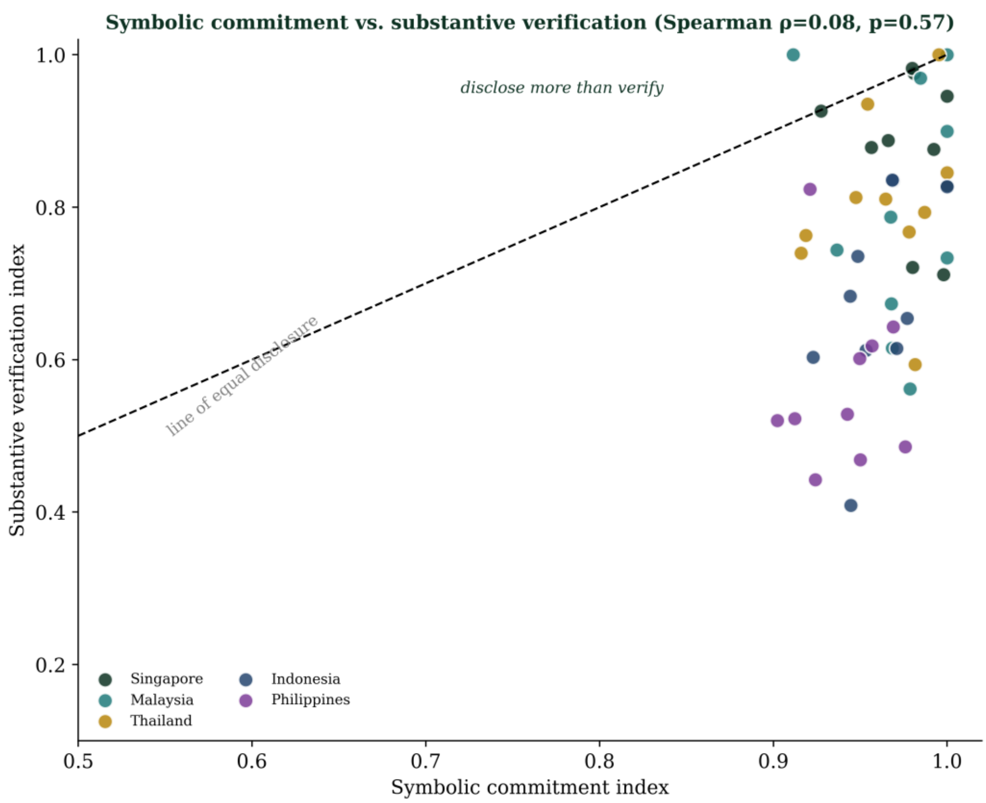

Figure 2. Symbolic commitment against substantive verification; the dashed line marks equality. Points above it disclose more than they verify.

Regime: the gap tracks regulatory maturity

Decoupling is strongly patterned by jurisdiction (Table 3). The mean gap rises from 0.07 in Singapore, through 0.16 in Malaysia and 0.19 in Thailand, to 0.35 in Indonesia and 0.41 in the Philippines; substantive scores fall in the same order, from 0.91 to 0.53. The differences are significant for both the substantive score (Kruskal-Wallis $H = 20.7$, $p < 0.001$) and the gap ($H = 17.0$, $p = 0.002$). The ordering aligns closely with the maturity and stringency of each national reporting regime — Singapore's phased-in mandatory climate reporting with assurance requirements and Bursa Malaysia's prescriptive framework at one end, the Philippines' comply-or-explain template and Indonesia's still-consolidating regime at the other. Symbolic commitment, by contrast, is uniformly high everywhere; it is verification, not ambition, that regulation appears to move; Figure 3 displays the distribution of the decoupling gap across the five jurisdictions. H3 is supported.

This inference is associational and cross-sectional. Post-hoc Dunn comparisons locate the significant differences between the two stringent regimes (Singapore, Malaysia) and the two least prescriptive (Indonesia, Philippines), with Thailand intermediate. Two threats are acknowledged: the five markets differ in capital-market depth and in the size of the assurance profession, which could drive verification independently of the disclosure regime; and it is conceivable that mature verification practices preceded and prompted the stringent regimes rather than the reverse. The phased mandates in Singapore and Malaysia make the regulation-moves-verification reading the more plausible, but the alternatives are noted rather than dismissed.

Table 3. Symbolic, substantive and gap scores by jurisdiction (10 firms each).

Jurisdiction	Symbolic	Substantive	Gap
Singapore	0.98	0.91	0.07
Malaysia	0.98	0.83	0.16
Thailand	0.97	0.78	0.19
Indonesia	0.98	0.64	0.35
Philippines	0.93	0.53	0.41

Note: Kruskal–Wallis on substantive score $H = 20.7$, $p < 0.001$; on the gap $H = 17.0$, $p = 0.002$.

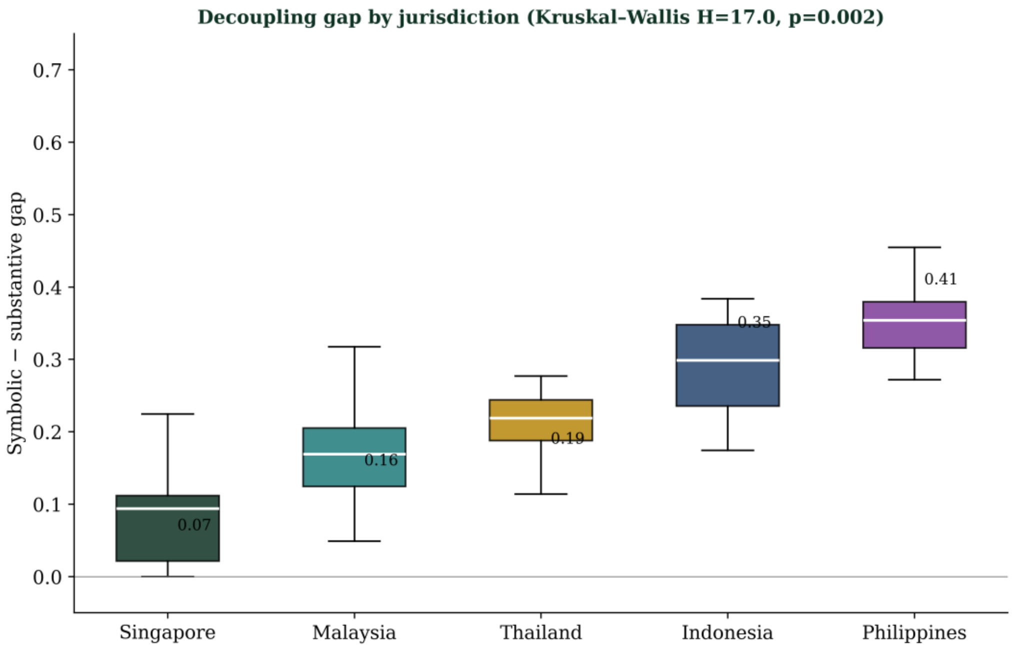

Figure 3. Distribution of the decoupling gap by jurisdiction (higher = more symbolic).

Exposure and ownership

Two firm-level expectations are tested against the gap. Environmental exposure does not drive decoupling: high-impact firms and low-impact firms are statistically indistinguishable on both the substantive score (0.75 vs 0.72, p = 0.46) and the gap (0.22 vs 0.25, p = 0.28). The pollution-haven intuition — that the dirtiest firms hide behind the thickest symbolism — is not supported in this sample; if anything, high-impact firms, more exposed to emissions-quantification expectations, verify marginally more. Ownership, by contrast, matters. State-linked firms score significantly higher on substantive verification than privately controlled firms (0.82 vs 0.67, p = 0.01) and exhibit a significantly smaller gap (0.15 vs 0.30, p = 0.02); these firm-level tests are summarised in Table 4. Public ownership, and the political accountability and access to assurance resources that accompany it in these markets, is associated with less decoupling, not more. H4 is supported for ownership and rejected for exposure.

Table 4. Firm-level tests: substantive score and gap by environmental exposure and ownership (Mann–Whitney U).

Grouping (A vs B)	Substantive (A vs B)	Gap (A vs B)	p (subst.)	p (gap)
High- vs low-impact (n=24 vs 26)	0.75 vs 0.72	0.22 vs 0.25	0.46	0.28
State-linked vs private (n=22 vs 28)	0.82 vs 0.67	0.15 vs 0.30	0.01	0.02

Note. Group comparisons by Mann–Whitney U test; α = 0.05. Environmental exposure yields no significant difference; state-linked firms verify significantly more and decouple significantly less.

The exposure null is mildly surprising on the paper's own cost logic — high-impact firms face the highest verification costs for full emissions accounting and might therefore be expected to verify less. The most likely reconciliation is that heightened external scrutiny of high-impact firms offsets their higher verification cost, leaving no net exposure effect. This null should also be read with its power in mind: the study is well powered to detect the large regime differences but less so for the smaller firm-level contrasts, so the exposure result is best stated as an absence of evidence for the pollution-haven intuition rather than positive evidence of no effect.

Constitutional and statutory foundation of the Indonesian regime

The findings must be read against the legal architecture that produces the reports. The constitutional foundation of mandatory sustainability disclosure in Indonesia is Article 33(4) of the 1945 Constitution, which commands that the national economy be organised on the principle of environmental sustainability (*berwawasan lingkungan*), read with the fundamental right to a good and healthy environment in Article 28H(1). A grammatical reading of these provisions establishes only a general mandate; their operative force comes from systematic reading with the implementing statutes. Article 74 of UU No. 40/2007 imposes a social and environmental responsibility on companies operating in or related to natural resources, elaborated by PP No. 47/2012; Article 15(b) of UU No. 25/2007 makes corporate social responsibility a duty of every investor; and UU No. 32/2009 supplies the substantive environmental obligations. A teleological reading — attentive to the legislative purpose recorded in the *naskah akademik* and to the Constitutional Court's reasoning — shows that these provisions were intended not merely to elicit statements of intent but to secure real, accountable environmental conduct.

That teleological purpose is where the empirical findings bite. In Putusan No. 53/PUU-VI/2008 the Constitutional Court held Article 74 constitutional precisely because a mandatory regime was necessary to give effect to the environmental-sustainability principle; a voluntary regime, the Court reasoned, would be insufficient. The *ratio decidendi* is that legal compulsion of corporate environmental responsibility is constitutionally warranted. Yet the present data show that the disclosure limb of that regime, as operationalised through POJK No. 51/2017 and SEOJK No. 16/2021, is being satisfied largely at the symbolic level: commitment is near-universal (0.97) while verification is uneven (0.74), and Indonesia's own firms sit near the bottom of the ASEAN-5 verification gradient (substantive 0.64, gap 0.35). The mandate is being met in form more than in substance — a means-ends decoupling in Bromley and Powell's precise sense [4], in which the practice (publishing a report) is implemented but disconnected from the outcome (verified environmental accountability) the Court identified as the constitutional point of the exercise.

Two qualifications preserve the rigour of this argument. First, the distinction between holding and inference must be kept sharp: what the Constitutional Court decided in Putusan No. 53/PUU-VI/2008 (decided 15 April 2009) is that the mandatory character of Article 74 is constitutional; that weak verification frustrates the mandate's purpose is the present author's inference from the Court's reasoning, not a proposition the Court itself adopted. Second, a historical reading reinforces the point: the mandate has evolved from the 2007 Company-Law duty, through PP No. 47/2012, to the 2017 sustainable-finance regime and the 2023 financial-sector omnibus, a trajectory of progressive institutionalisation whose consistent purpose has been substantive accountability rather than mere reporting. Read systematically with the environmental-management obligations of UU No. 32/2009, the disclosure duty is one node in a coherent environmental-accountability system, not a stand-alone capital-market formality. Notably, and unlike most comparators that ground disclosure in listing rules alone, Indonesia's regime has a constitutional anchor for the substance of environmental accountability; the form-over-substance gap is therefore not merely a policy shortfall but a shortfall against a constitutional commitment, a claim advanced with restraint given the contested justiciability of Article 33(4).

The independence result and the limits of formal compliance

The independence of symbolic and substantive scores (rho = 0.08, p = 0.57) has a direct doctrinal implication: under the current regime, the breadth of a firm's commitment is uninformative about its credibility. Ratings, indices and casual regulatory assessment routinely reward the presence of a net-zero pledge, the citation of frameworks, the existence of a report — features so nearly universal in this sample that they carry no discriminating information and are uncorrelated with whether the firm subjects its claims to assurance, quantifies its full emissions, sets science-based targets, discloses its failures, or ties ESG to pay [9,10,18,20]. A supervisory approach that stops at commitment breadth will treat a symbolically fluent, unverified reporter as compliant alongside a substantively rigorous one. This is the legal danger of a disclosure mandate that specifies form without prescribing verification: it converts a substantive obligation into a documentary ritual, and it is consistent with the wider evidence that mandated disclosure changes behaviour only where assurance and comparability are also required [5,6,21,22].

The doctrinal moral is stronger than a complaint about enforcement. A disclosure obligation that does not also mandate verification is not merely incomplete but potentially counter-productive: it manufactures a legitimating signal, the report, that is systematically uninformative about substance and may crowd out the scrutiny that would otherwise fall on firms. This is a specific instance of a general principle of disclosure law: information that cannot be verified does not reduce the asymmetry the mandate exists to correct, and may widen it by giving the least substantive reporters the same voice as the most rigorous. On this reading, the independence result is not an incidental statistic but a direct empirical refutation, for these firms, of the theory of change on which a disclosure-only regime rests.

Comparative analysis: a functional-equivalence reading of the ASEAN-5

Analysed through the functional-equivalence method — comparing regimes by the function they perform rather than their formal labels — the five ASEAN markets pursue the same objective (credible corporate sustainability information) through mechanisms of markedly different stringency (Table 5). The jurisdictional gradient in the data maps onto this variation. Singapore, where SGX RegCo has moved to phased mandatory climate reporting aligned with the ISSB and coupled to assurance expectations, produces the smallest gap (0.07). Malaysia's National Sustainability Reporting Framework and prescriptive Bursa listing requirements yield the next-smallest (0.16), followed by Thailand's integrated Form 56-1 One Report (0.19). Indonesia (0.35) and the Philippines (0.41), whose regimes remain comparatively light on mandatory assurance and prescribed scopes, cluster at the decoupled end. The comparison identifies the transplantable element with precision: it is not the existence of a reporting duty — every regime has one — but the presence of a legal demand for verification (mandatory assurance, prescribed Scope 1–3 quantification, and enforced comparability) that closes the gap. Indonesia's compliance with the emerging ISSB standard is, on this measure, partial: the framework is referenced but not yet mandated with assurance. Figure 4 situates this verification gap within the Indonesian legal hierarchy, from the constitutional mandate through the statutory and regulatory tiers to firm-level disclosure.

The five comparators are selected on principled grounds: shared ASEAN economic-integration commitments, comparable capital-market development, and the presence in each of a sustainability-disclosure mandate, which makes the regimes genuine functional equivalents rather than a convenience sample. Functional equivalence also requires attention to functional substitutes, mechanisms outside the disclosure regime that might perform the verification function, such as deep external-audit markets, activist institutional investors or litigation exposure. To the extent these vary across the five markets, part of the observed gradient may reflect them; the ownership finding, which shows firm-structural factors matter, makes this caution concrete. The transplant argument is correspondingly specific: Singapore's phased assurance timetable, not merely its existence of a reporting duty, is the model for Indonesia, adapted to the current capacity of Indonesian assurance providers.

Table 5. Functional-equivalence comparison of ASEAN-5 sustainability-disclosure regimes.

Jurisdiction	Legal basis	Assurance	Prescribed scope / standard	Observed gap
Singapore	SGX-ST Listing Rules 711A/B; climate roadmap	Moving to mandatory (phased)	ISSB-aligned climate; Scope 1–3 phased	0.07
Malaysia	Bursa Main Market LR; NSRF	Encouraged → mandatory (phased)	NSRF/ISSB; Scope 1–2, 3 phased	0.16
Thailand	SEC Form 56-1 One Report	Encouraged	Integrated; materiality-based	0.19
Indonesia	POJK 51/2017; SEOJK 16/2021; UU 40/2007 Art. 74	Not mandated	OJK template; assurance optional	0.35
Philippines	SEC MC No. 4/2019	Comply-or-explain	Template; limited prescription	0.41

Critical assessment de lege lata

Assessed against its constitutional purpose, Indonesia's disclosure regime exhibits three fundamental deficiencies. First, POJK No. 51/2017 and SEOJK No. 16/2021 mandate the publication and prescribe the format of the sustainability report but do not require independent external assurance of its contents; the data show assurance present in only 76% of ASEAN-5 firms overall and materially lower among Indonesian issuers, so the regime's central claim to reliability rests on unverified self-report. Second, the regime does not prescribe complete, absolute emissions quantification: Scope 3 disclosure (74% regionally) and science-based targets (40%) —

the indicators that most expose a firm to comparison — are precisely those the Indonesian template leaves optional, which is where the verification thins. Third, the regime lacks enforced comparability and graduated sanction: with commitment and verification statistically independent, a firm can remain formally compliant while disclosing nothing verifiable, and OJK's supervisory toolkit is not calibrated to distinguish the two. The net effect is that the regime satisfies the form of the constitutional mandate identified in Putusan No. 53/PUU-VI/2008 while leaving its substance — accountable environmental conduct — largely unsecured.

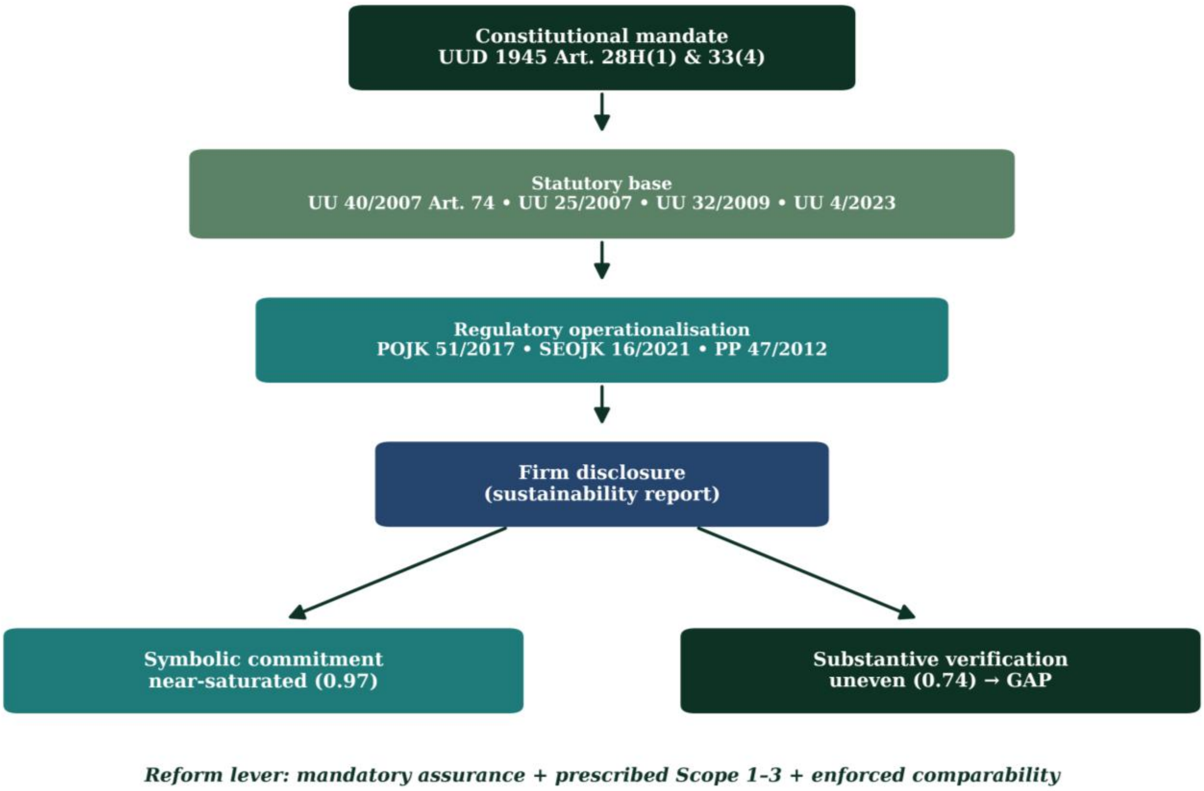

Figure 4. Indonesian ESG-disclosure legal framework and the locus of the verification gap.

Each deficiency is a matter of regulatory text, not merely of observed practice: SEOJK No. 16/SEOJK.04/2021 prescribes the format and headings of the sustainability report but contains no provision requiring third-party assurance, no provision mandating absolute Scope 3 quantification, and no provision requiring a science-based target; the elements are, by the silence of the instrument, left to the issuer's discretion. The empirical prevalence figures then show what firms do with that discretion. It is the combination of regulatory silence and discretionary under-provision that produces the form-over-substance outcome, and it is regulatory silence that the reforms below are designed to end.

Reform proposals de lege ferenda

Three concrete reforms follow, each directed at a named actor and grounded in existing constitutional and statutory authority.

(1) Mandatory external assurance (legislative/regulatory). OJK should amend POJK No. 51/2017 and SEOJK No. 16/2021 to require independent, third-party limited assurance of the sustainability report for large-cap issuers, phasing toward reasonable assurance, with the assurance provider and standard disclosed. The rationale is that assurance is the single lever most strongly associated with a closed gap in the comparative data, and

Singapore's trajectory demonstrates feasibility. Constitutional and statutory basis: Article 33(4) and Article 28H(1) of the 1945 Constitution, Article 74 of UU No. 40/2007, and OJK's rule-making authority under UU No. 4/2023. Actor: OJK, in coordination with the Indonesian Institute of Certified Public Accountants (IAPI) for assurance standards.

(2) Prescribed Scope 1–3 reporting and science-based targets (regulatory). SEOJK No. 16/2021 should be revised to make absolute Scope 1, 2 and (phased) Scope 3 emissions and a baseline-anchored, science-based target mandatory content rather than optional, adopting the ISSB IFRS S2 template as the national floor. The rationale is that these are the indicators where Indonesian verification is weakest and where comparability is most valuable to investors and the public [21,22]. Actor: OJK, with technical input from the Ministry of Environment and Forestry (KLHK) for emissions methodology under UU No. 32/2009.

(3) Enforced comparability with graduated sanctions and a public verification index (institutional). OJK and the Indonesia Stock Exchange (BEI) should institute a standardised, machine-readable disclosure taxonomy and a published verification-depth index — modelled on the reproducible metric used in this study — with graduated administrative sanctions (from written reprimand to disclosure-quality flags on the exchange) for issuers whose reports are symbolically complete but substantively deficient. The rationale is that the independence result shows commitment breadth cannot be relied upon as a compliance signal; supervision must therefore measure verification directly. Actor: OJK and BEI, with the Ombudsman available as an external accountability channel. This reform is consistent with Indonesia's ASEAN commitments to regulatory convergence and with the ISSB's interoperability objective.

On enforcement mechanics and sequencing: each reform is an exercise of OJK's existing rule-making and sanctioning authority under UU No. 4/2023 and the capital-market framework, not a call for new primary legislation, which makes it feasible within the current legal competence of the regulator. Assurance is the highest-leverage lever and should come first, on a phased three-year timetable that begins with the largest issuers and with limited assurance, allowing the domestic assurance profession to build capacity before reasonable assurance is required. The comparability-and-sanctions reform should follow once the taxonomy is settled, and the graduated sanctions should be tied to OJK's existing administrative-sanction ladder (written reprimand, disclosure-quality flags, and, at the limit, listing consequences via BEI). On political economy, resistance from issuers facing higher compliance costs is to be expected; a reform coalition can be built by leading with state-linked issuers, which the data show already verify more and can act as early adopters, and by aligning the timetable with Indonesia's ASEAN and ISSB-interoperability commitments to supply external momentum. Investor and lender demand for assured disclosure can operate as a complementary private-enforcement channel where public capacity is stretched.

Contribution and implications

For the greenwashing and disclosure-law literature the contribution is methodological as much as substantive. By operationalising decoupling as an observable gap internal to the mandated disclosure, the study sidesteps the intractable problem of measuring true performance and yields a reproducible, assurance-checkable index that regulators and courts can apply to any report [2,14]. The eleven firms in the symbolic-decoupling quadrant are not accused of any motive; they are identified by a transparent rule — high commitment, low verification — that any supervisor can re-run against the same primary documents. The policy implication is singular and actionable: because symbolic commitment is saturated everywhere while verification varies with regime maturity, the binding constraint on credible ESG compliance in Indonesia is the legal demand for verification, and the instruments that move it are mandatory assurance, prescribed emissions scopes and enforced comparability — not further exhortation to commit.

Limitations

Four limitations bound these claims. First, the design measures decoupling within disclosure, not the gap between disclosure and real-world environmental performance; a substantively rich report can still misstate outcomes, and a thin one can accompany genuinely good conduct, so the substantive index measures verification depth, not sustainability itself. Second, the sample is fifty large-capitalisation firms selected for size and sectoral spread, not a probability sample; because the largest firms are the best-resourced reporters, the documented gap is very likely a lower bound on the gap across each market as a whole. Third, several indicators require judgment — whether assurance is formal, whether a combined report is standalone, whether remuneration is genuinely ESG-linked — and although inter-coder agreement was substantial (kappa = 0.784), the nine disagreements concentrate on these constructs and mark the study's zone of measurement uncertainty; the binary coding also compresses meaningful gradations, such as limited versus reasonable assurance. Fourth, the indices weight every indicator equally, and different defensible weightings would shift individual scores, though the near-saturation of the symbolic index makes the direction of the gap robust to reweighting. A panel extending the instrument over several years, paired with independent emissions or controversy data where obtainable, would convert this cross-sectional analysis into a test of whether verification depth predicts subsequent conduct.

4. Conclusion

This article analysed corporate ESG compliance in Southeast Asia as a legal question and measured it directly from the disclosure that the law compels. Coding fourteen indicators across fifty large-cap ASEAN-5 firms, with substantial inter-coder reliability, it found that commitment is near-universal while verification is uneven — thinning sharply at assurance, Scope 3, science-based targets and remuneration-linked accountability — that the two dimensions are statistically independent, and that 78% of firms disclose more than they verify. The gap is not driven by how polluting a firm is; it tracks the maturity of the national disclosure regime and shrinks under state ownership. *De lege lata*, Indonesia's regime under POJK No. 51/2017 satisfies the form of the constitutional mandate affirmed in Putusan No. 53/PUU-VI/2008 while leaving its substance largely unverified. *De lege ferenda*, closing the gap is a task for regulation and assurance rather than exhortation: mandatory external assurance, prescribed Scope 1–3 reporting, and enforced comparability with graduated sanctions are the three reforms — each within existing OJK and legislative authority — that would move the dimension on which Indonesian ESG compliance is presently weakest. Future research should extend the reproducible verification index longitudinally and test whether verification depth predicts real environmental performance.

Declarations

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Author contributions

Conceptualisation, A.G.; methodology, A.G.; coding instrument design, A.G. and G.F.P.; data curation and coding, A.G. and F.D.; formal analysis, A.G. and G.F.P.; doctrinal and comparative legal analysis, A.G. and F.D.; writing — original draft preparation, A.G.; writing — review and editing, G.F.P. and F.D.; supervision, A.G. All authors have read and agreed to the published version of the manuscript.

Conflicts of interest

The authors declare no conflict of interest.

Data availability

The coded dataset for all fifty firms — the fourteen indicators, firm metadata, computed indices, and the retrieved report URL for every firm — together with the blind reliability key and the analysis script reproducing all statistics and figures, accompanies this article as supplementary files.

Ethics

The study analyses publicly available corporate reports and involved no human subjects.

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