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Good Corporate Governance and RUPS Decisions on Corporate Artificial Intelligence

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Abstract

The rapid development of Artificial Intelligence (AI) and growing demands for sustainability have significantly reshaped corporate governance in Indonesia. AI enhances operational efficiency, improves decision-making processes, and enables data-driven strategies, while sustainability principles demand a balance between profit and social-environmental responsibility. This study examines the role of Rapat Umum Pemegang Saham (RUPS) in determining AI and sustainability policies through the application of Good Corporate Governance (GCG) principles. The research employs a normative juridical and doctrinal approach, with a descriptive-analytical method, to analyze primary, secondary, and tertiary legal materials. The study highlights that the GCG principles – transparency, accountability, responsibility, independence, and fairness – serve as a foundation for legitimizing and overseeing corporate policies. The RUPS, through these principles, plays a strategic role in ensuring that AI policies align with legal, ethical, and sustainable practices. However, challenges such as regulatory gaps, limited shareholder literacy, and potential ethical risks remain. The study concludes that integrating GCG principles into AI and sustainability policies is essential for achieving a corporate governance model that is legally sound, ethically responsible, and capable of balancing technological innovation with social and environmental goals. To strengthen the governance process, it is recommended that companies enhance shareholder education on AI and sustainability, develop comprehensive AI regulations, and form independent oversight committees within the RUPS.

INTRODUCTION

The transformation of the global business landscape over the past decade demonstrates that technology and sustainability are no longer two separate issues, but rather the two principal forces shaping a new direction for corporate governance. On one hand, Artificial Intelligence (AI) has emerged as the driving engine of innovation, fostering efficiency, productivity, and the analytical capacity of corporations to make faster and more accurate decisions.[1] On the other hand, the principles of sustainability and Environmental, Social, and Governance (ESG) compel corporations to not only focus on profit orientation but also to consider the social and environmental impacts of every policy implemented. Within this context, sound corporate governance or Good Corporate Governance (GCG) serves as the fundamental foundation to balance the drive for innovation with ethical responsibility.

In Indonesia, the development of digital technology, including AI, has been growing rapidly, particularly in the financial, e-commerce, logistics, and creative industry sectors.[2] Many startups as well as large corporations have begun integrating AI-based systems to enhance their business performance. However, the use of AI cannot be separated from its legal and ethical consequences. AI has the capability to make predictions, select data, and even make decisions that directly affect humans. When such decisions are made by autonomous systems without human intervention, questions arise regarding who should be held accountable in cases of errors, data breaches, or algorithmic discrimination. These challenges indicate that the implementation of AI within corporations is not merely a technical matter but extends to the realms of governance, law, and business morality.

At the same time, the issue of sustainability has also become a major concern for the business sector. The Government of Indonesia, through the Financial Services Authority (Otoritas Jasa Keuangan/OJK), has issued OJK Regulation Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial service institutions, issuers, and public companies.[3] This regulation emphasizes the importance of sustainability reporting (sustainability report) as an integral part of corporate accountability. However, the implementation of sustainability principles in many companies remains largely a formality, merely fulfilling reporting obligations without

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[1] Kushariyadi, Kushariyadi, et al. *Artificial intelligence: Dinamika perkembangan AI beserta penerapannya*. PT. Sonpedia Publishing Indonesia, 2024.

[2] Suseno, Jaka, Hasan Asyhari, and Muhammad Andrian Saputra. "Dampak Digitalisasi Terhadap Pertumbuhan Ekonomi Di Indonesia." *Jurnal Dinamika Sosial Dan Sains*2.1 (2025): 432-438.

[3] Sinaga, Muhammad Panca Prana Mustaqim, and Zahra Malinda Putri. "Analisis Hukum Green Banking (Sustainable Finance) Berdasarkan Pojk Nomor 51/POJK. 03/2017 Pada Bank BRI Syariah." *JUSTLAW: Journal Science and Theory of law* 1.01 (2024): 9-21.

genuinely internalizing sustainability values into corporate strategies and decision-making processes. In fact, sustainability is not merely a legal obligation, but a long-term strategy to preserve corporate reputation, public trust, and competitive advantage.

Amid these two major forces digital transformation and sustainability transition the role of Good Corporate Governance (GCG) has become increasingly crucial. GCG aims to establish a governance system that is transparent, accountable, responsible, independent, and fair. The five core principles of GCG (transparency, accountability, responsibility, independency, and fairness) should not merely serve as administrative guidelines but as ethical foundations for every corporate decision. As AI and sustainability become integral parts of corporate strategy, the application of these principles will determine how companies balance efficiency with ethics, and innovation with social responsibility.[4]

One of the aspects often overlooked in discussions of corporate governance is the role of the General Meeting of Shareholders (Rapat Umum Pemegang Saham/RUPS). According to Law Number 40 of 2007 concerning Limited Liability Companies (Undang-Undang Perseroan Terbatas/UU PT), the RUPS serves as the highest organ within the corporate structure, holding the authority to determine the company's strategic direction. Through the RUPS, shareholders can ratify corporate policies, replace directors, evaluate the performance of commissioners, and decide on other fundamental matters.[5] In the context of decision-making related to AI and sustainability policies, the Rapat Umum Pemegang Saham (RUPS) should serve as a deliberative forum that balances short-term economic interests with a long-term sustainability vision.

However, in practice, the function of the Rapat Umum Pemegang Saham (RUPS) in Indonesia is often formalistic in nature. Many strategic decisions are, in fact, determined at the level of the board of directors or majority shareholders, while the RUPS merely serves as a forum for ratification. This situation raises a critical question: to what extent does the RUPS genuinely perform a substantive role in determining the direction of corporate innovation and sustainability policies? Furthermore, have the principles of Good Corporate Governance (GCG) been effectively implemented within this highest decision-making forum?. In the context of Artificial Intelligence (AI) policy, the role of the Rapat Umum Pemegang Saham (RUPS) becomes particularly significant, as decision-

[4] Hasanah, Riskiyatul, Yuni Dhea Utari, and Delia Desvianti. "The Influence of Legal Aspects and Business Ethics on Business Sustainability in the Digital Era." *Demagogi: Journal of Social Sciences, Economics and Education* 2.3 (2024): 95-110.

[5] Agung, Dede, Raihan Lutfi Purba, and Delia Nur Annisa. "Pengaruh Restrukturisasi Perusahaan terhadap Kedudukan RUPS (Rapat Umum Pemegang Saham) Ditinjau Berdasarkan Hukum Perusahaan." *Prosiding Seminar Nasional Hukum, Kebijakan Publik, Hak Asasi Manusia dan Keadilan*. Vol. 2. 2023.

making related to AI often involves complex legal and moral dimensions. The use of AI within corporations may encompass various areas such as recruitment processes, customer behavior analysis, and data-driven strategic decision-making. Each of these applications carries implications for personal data protection, information security, and potential algorithmic discrimination, which must be ethically and legally anticipated. These decisions are not merely technical in nature but also touch upon the dimensions of corporate social and ethical responsibility that require approval and oversight from the company's highest governing body. Therefore, the implementation of Good Corporate Governance (GCG) principles in the RUPS decision-making process serves as a crucial instrument to ensure that AI policies are executed fairly, accountably, and with respect for the rights of all stakeholders.

Meanwhile, in the context of sustainability, the Rapat Umum Pemegang Saham (RUPS) also holds an equally strategic role. Policies related to the implementation of Corporate Social Responsibility (CSR), green investment, energy efficiency, and ESG reporting form part of the agenda that can be discussed and approved within the RUPS forum.[6] In several cases in Indonesia, decisions made by the Rapat Umum Pemegang Saham (RUPS) can even determine whether a company will commit to decarbonization targets, environmental certifications, or specific social programs. Thus, the integration of Good Corporate Governance (GCG) principles within the RUPS serves to ensure that sustainability policies are not implemented merely on moral grounds or due to public pressure, but rather possess legal legitimacy and the full support of shareholders.

However, there remain a number of legal and institutional challenges in the implementation of Good Corporate Governance (GCG) concerning AI and sustainability policies in Indonesia. First, there is currently no regulation that explicitly governs the corporate governance of AI utilization within corporations. At present, the existing legal framework is limited to Law Number 11 of 2008 on Electronic Information and Transactions (Undang-Undang Informasi dan Transaksi Elektronik/UU ITE) and Law Number 27 of 2022 on Personal Data Protection (Undang-Undang Perlindungan Data Pribadi/UU PDP).[7] Both regulations are insufficient to address the issues arising from the use of autonomous systems and machine learning algorithms. As a result, potential

[6] Zulkarnain, Zulkarnain. "Pengungkapan Lingkungan, Sosial, dan Tata Kelola Perusahaan Peraih Environmental, Social, and Governance Disclosure Award 2021." *Cakrawala Repositori IMWI* 5.2 (2022): 207-226.

[7] Noval, Sayid Muhammad Rifki. "Tantangan hukum di era digital immortality: Urgensi perlindungan data pribadi pasca kematian." *Seminar Nasional Riset Terapan*. Vol. 13. No. 01. 2024.

violations such as algorithmic bias, prediction errors, or data misuse are difficult to assign clear accountability for.

Second, from the sustainability perspective, although regulations such as POJK 51/2017 have been established, not all companies are able to implement ESG principles in a substantive manner. The main obstacles lie in the limited understanding among management of the long-term benefits of ESG, the lack of resources, and the pressure from shareholders who remain focused on short-term profits. In this situation, the role of the Rapat Umum Pemegang Saham (RUPS) in guiding and overseeing sustainability policies becomes crucial to ensure that decisions are made not solely on economic interests but also with due consideration of social and environmental impacts.

Third, corporate ethics has become an increasingly prominent dimension in the era of digitalization and sustainability. AI can exacerbate social inequality if utilized without ethical control mechanisms, while sustainability policies may turn into mere image-building tools (greenwashing) if not accompanied by genuine commitment.[8] Therefore, the integration between Good Corporate Governance (GCG) principles and business ethics serves as the foundation for companies to maintain public trust and ensure that every policy decided through the Rapat Umum Pemegang Saham (RUPS) genuinely reflects the values of corporate responsibility. From a governance perspective, the successful implementation of GCG within the RUPS depends not only on regulations but also on corporate culture. A well-functioning RUPS should serve as a deliberative space among majority and minority shareholders, directors, commissioners, and other stakeholders.[9]

The principle of transparency requires openness in disclosing information related to the risks and impacts of both AI policies and sustainability programs; accountability ensures that every decision is supported by clear lines of responsibility; responsibility embodies compliance with regulations as well as social obligations; independency emphasizes freedom from conflicts of interest; and fairness guarantees equitable treatment for all shareholders. When these five principles are implemented consistently, the Rapat Umum Pemegang Saham (RUPS) can function as a decision-making forum that is not only legal, but also ethical and sustainable.[10]

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[8] Vicini, Andrea. "Artificial intelligence and social control: ethical issues and theological resources." *Journal of Moral Theology*11.SI1 (2022): 41-69.

[9] Siti Nurhasanah, Siti Nurhasanah, Aprilianti Aprilianti, and Kasmawati Kasmawati. "Good Corporate Governance (GCG) Principles in Persero." *International Journal of Multicultural and Multireligious Understanding* 9.10 (2022): 91-101.

[10] Kharitonova, Yuliya S. "Legal Means of Providing the Principle of Transparency of the Artificial Intelligence." *Journal of Digital Technologies and Law* 1.2 (2023).

In the future, the urgency to strengthen Good Corporate Governance (GCG) in Artificial Intelligence (AI) and sustainability policies will become increasingly critical. The international community has already moved in this direction. The European Union, for instance, has enacted the EU Artificial Intelligence Act (2024), which emphasizes the principles of transparency, safety, and accountability in the use of AI. Meanwhile, many countries have also mandated ESG reports as part of corporate disclosure, which must be independently audited. Indonesia must anticipate this global trend by developing adaptive legal and institutional frameworks without neglecting local characteristics and the moral foundation of Pancasila as the ethical basis of governance.

Accordingly, this study is crucial in addressing two main research questions: (1) how the Rapat Umum Pemegang Saham (RUPS), through the principles of GCG, can determine policies related to AI and sustainability, and (2) what legal, ethical, and regulatory challenges are encountered in implementing such policies within Indonesian corporations. This study is expected to contribute theoretically to the development of the concept of governance of innovation a governance model that not only emphasizes formal compliance but also the corporate capacity to manage technological innovation ethically and sustainably.

In addition, this research carries practical significance. First, for regulators such as the Otoritas Jasa Keuangan (OJK), the Ministry of Law and Human Rights, and the Ministry of Communication and Informatics, the findings of this study may provide insights for formulating more comprehensive policies regarding AI governance and sustainability reporting. Second, for corporations, this research offers perspectives on the importance of integrating GCG principles into RUPS decision-making processes to prevent innovation policies from generating legal and reputational risks. Third, for academics and legal practitioners, this study opens new avenues of research concerning the intersection between corporate law, technological ethics, and sustainability governance.

With this foundation, it can be asserted that the future of corporate governance in Indonesia will not be defined solely by how rapidly companies innovate, but also by how responsibly they manage innovation. The implementation of GCG within the RUPS serves as a vital entry point to ensure that technological advancements such as AI progress in harmony with the values of sustainability, transparency, and social justice. Therefore, establishing a robust legal and institutional framework for the application of GCG principles in AI and sustainability policies represents a strategic step toward building adaptive, ethical, and sustainable corporate governance in Indonesia.

METHOD

This study employs a normative juridical and doctrinal juridical approach, with a descriptive-analytical research method, suitable for analyzing the legal aspects of Good Corporate Governance (GCG), corporate social responsibility, and the utilization of Artificial Intelligence (AI) in corporate activities. The legal materials used were selected based on their relevance, including primary materials such as statutes and regulations, secondary materials such as academic papers and books, and tertiary materials like legal commentaries and dictionaries. The data collected were analyzed through legal discovery (rechtsvinding), utilizing legal hermeneutics to interpret legal texts and comparative doctrine to examine similar legal principles applied in other jurisdictions.

The analytical framework aims to provide a comprehensive understanding of how GCG principles can guide strategic decision-making related to AI and sustainability policies within the context of Indonesian corporate governance. The limitations of this study include the evolving nature of AI regulation in Indonesia, which does not fully capture international practices, and the focus on domestic laws, which lack comprehensive regulation for AI governance. To address these limitations, the findings will be validated by triangulating the sources with international standards and expert opinions. Thus, this study is expected to offer a thorough legal understanding of how GCG principles can guide strategic decision-making regarding AI policies and corporate sustainability in Indonesian corporations, ensuring legal and ethical compliance.

RESULTS AND DISCUSSION

1. The RUPS, guided by the principles of GCG, holds the authority to formulate policies concerning AI and corporate sustainability.

Based on Law Number 40 of 2007 concerning Limited Liability Companies ("UU PT"), the organizational structure of a limited liability company consists of the *Rapat Umum Pemegang Saham* (RUPS), the Board of Directors, and the Board of Commissioners. The RUPS is designated as one of the company's organs that holds the authority to make significant decisions not granted to the Board of Directors or the Board of Commissioners, within the limits stipulated by the articles of association and the prevailing laws and regulations.[11] Modern governance practices view the Rapat Umum Pemegang Saham (RUPS) not merely as the highest organ in an absolute hierarchical sense, but rather as

[11] Mada, Zaky Zhafran King. "Analisis Yuridis Keputusan Rapat Umum Pemegang Saham Yang Memiliki Persentase Kepemilikan Saham Yang Seimbang Pada Perseroan Terbatas." *Jurnal Magister Ilmu Hukum: Hukum dan Kesejahteraan* 8.1 (2023): 1-15.

part of a system of parallel organs (*nebenordnung*) alongside the Board of Directors and the Board of Commissioners.

In the implementation of Good Corporate Governance (GCG), the Rapat Umum Pemegang Saham (RUPS) holds a highly strategic function: serving as a forum for legitimizing shareholder decisions, as a mechanism of accountability toward the Board of Directors and the Board of Commissioners, and as a decision-making platform that reflects the interests of shareholders as well as other stakeholders.[12] Therefore, when a corporation faces complex and strategic issues such as policies related to AI and sustainability, the role of the Rapat Umum Pemegang Saham (RUPS) becomes crucial to ensure that such decisions are not solely produced by the Board of Directors or the Board of Commissioners, but are legitimized by shareholders and aligned with the framework of Good Corporate Governance (GCG).

The principles of GCG generally include transparency, accountability, responsibility, independency, and fairness. When a corporation formulates strategic policies related to AI or sustainability, these five principles must serve as the foundation. Without the integration of GCG principles, strategic decisions may pose risks to legitimacy, ethics, or reputation, and could even result in social and legal implications for the company and its stakeholders.

For instance, transparency requires that all stakeholders receive adequate information regarding forthcoming AI policies or sustainability programs; accountability demands that the Board of Directors, the Board of Commissioners, and even the Rapat Umum Pemegang Saham (RUPS) be held responsible for the decisions made; responsibility requires that such policies take into account social, environmental, and economic impacts; independency ensures that decision-making remains free from conflicts of interest; and fairness mandates that all shareholders including minority shareholdersand other stakeholders be treated equitably throughout the strategic decision-making process.

In the context of rapidly advancing technology, particularly in the field of Artificial Intelligence (AI), the role of the Rapat Umum Pemegang Saham (RUPS) has become increasingly important in ensuring that corporate policies remain aligned with the principles of Good Corporate Governance (GCG) and the goals of sustainable

[12] Kholis, Achmad Nur. "Analisis Peran Dewan Komisaris dalam Meningkatkan Tata Kelola Perseroan yang Baik: Perspektif Hukum dan Implementasinya." *Birokrasi: JURNAL ILMU HUKUM DAN TATA NEGARA* 2.1 (2024): 210-215.

development.[13] Through the application of the principles of transparency, accountability, responsibility, independency, and fairness, the Rapat Umum Pemegang Saham (RUPS) can serve as a strategic forum that ensures decision-making related to AI and sustainability is conducted ethically, participatively, and with a long-term value orientation.

The Rapat Umum Pemegang Saham (RUPS) holds the highest authority in determining the company's strategic direction, including policies related to digitalization and technological transformation. Within the framework of Good Corporate Governance (GCG), the Rapat Umum Pemegang Saham (RUPS) does not merely function as a formal institution that legitimizes managerial decisions, but also serves as a mechanism of checks and balances between the interests of shareholders and the broader public interest. Consequently, AI and sustainability policies discussed within the RUPS must reflect a balance between economic efficiency, social responsibility, and environmental protection, as mandated by the theory of sustainable development.

One of the RUPS's strategic steps is to determine the scope and agenda of meetings related to the implementation of AI in corporate activities. Agendas such as the use of AI in business operations, recruitment, big data analytics, or process automation represent critical topics that can influence the corporation's strategic direction. Through the RUPS, shareholders have the right to approve or reject policies proposed by the Board of Directors concerning the use of such technologies. This approach aligns with the concept of institutional sustainability, which emphasizes the importance of strong and participatory institutional governance as the foundation for social and economic sustainability.

Furthermore, the principle of transparency becomes a key element in ensuring that the AI policies to be implemented by the company can be openly understood by all shareholders.[14] Before the meeting takes place, the Board of Directors should present comprehensive meeting materials, including the results of risk assessments, potential algorithmic biases, implications for personal data protection, as well as social and environmental impacts. Through adequate information disclosure, shareholders can make informed and rational decisions. From the perspective of sustainable development

[13] Agusiady, Ricky, Septiana Dwiputrianti, and Dyah Kusumastuti. *Mewujudkan Good Corporate Governance (Tata Kelola Perusahaan yang Baik) di Era Industri 4.0 Dan Masyarakat 5.0*. Deepublish, 2024.
[14] Hickman, Eleanore, and Martin Petrin. "Trustworthy AI and corporate governance: the EU's ethics guidelines for trustworthy artificial intelligence from a company law perspective." *European Business Organization Law Review* 22.4 (2021): 593-625.

theory, transparency serves as a crucial prerequisite for fostering inclusive governance and promoting accountability to the public.

Equally important, the principle of accountability requires that every decision made by the Rapat Umum Pemegang Saham (RUPS) carries clear responsibility. The outcomes of RUPS decisions concerning AI policies must be properly documented and accompanied by reporting mechanisms that can be monitored by the Board of Directors and the Board of Commissioners. Accountability ensures that strategic decisions do not remain at the level of discourse, but are truly implemented and periodically evaluated. In the context of sustainable development, accountability reflects the essence of good governance, where every corporate policy must be accountable not only to shareholders but also to the society and the environment in which the company operates.

The use of AI also introduces dimensions of social responsibility and sustainability that cannot be overlooked. In the RUPS decision-making process, these aspects must be an integral part of policy discussions. For instance, in the implementation of AI for employee recruitment, companies must ensure that the algorithms used do not result in discrimination based on gender, age, or social background. Similarly, when AI is applied to improve production efficiency, its potential impact on human labor and the environment must be carefully considered. The RUPS can emphasize that every technological innovation must support the *triple bottom line*—economic profit (profit), social welfare (people), and environmental preservation (planet). This approach illustrates the interconnection between Good Corporate Governance (GCG) and sustainable development theory, both of which place sustainability as the ultimate goal of modern governance.[15]

Furthermore, the principle of independency must also be upheld. Once the Rapat Umum Pemegang Saham (RUPS) establishes an AI policy, the Board of Commissioners and oversight committees such as the Audit Committee, Risk Committee, and Technology Committee must perform their supervisory functions objectively and free from any undue influence. Such independency is essential to prevent conflicts of interest that could obscure sustainability objectives. In the context of development theory, institutional independence serves as a pillar of *institutional resilience*, reflecting the governance system's ability to endure and adapt to change without compromising moral and legal integrity.

[15] Priya, MR Suji Raga. "The Triple Bottom Line of Green Transitions: Assessing the Economic, Social, and Environmental Impacts of Sustainable Development Goals by 2030." *Green Transition Impacts on the Economy, Society, and Environment*. IGI Global, 2024. 182-201.

Beyond AI policy, the Rapat Umum Pemegang Saham (RUPS) also plays a vital role in determining the direction of corporate sustainability policies. In this regard, the RUPS may approve a corporate vision and mission aligned with Environmental, Social, and Governance (ESG) orientation. Through ratification within the RUPS forum, sustainability policies gain formal legitimacy and become an integral part of long-term business strategy. For instance, the RUPS may endorse targets for carbon emission reduction, energy efficiency improvement, or the expansion of Corporate Social Responsibility (CSR) programs. This step demonstrates that the RUPS is not merely a space for capital interests but also a forum to strengthen the company's contribution toward achieving the Sustainable Development Goals (SDGs).

The decision-making process within the RUPS must also consider the principles of fairness and inclusivity. Decisions concerning sustainability should not solely benefit majority shareholders but must also account for the interests of minority shareholders, employees, surrounding communities, and the environment. In sustainable development theory, fairness represents a fundamental dimension, as sustainability cannot be achieved without the proportional distribution of benefits and responsibilities among stakeholders.

The interrelation between AI and sustainability policies is becoming increasingly significant. In the digital economy era, AI can serve as a tool to advance sustainability objectives through *AI for sustainability* applications such as monitoring emissions, optimizing energy use, detecting environmental leaks, or enhancing logistics efficiency. The RUPS can encourage the Board of Directors to develop such integrative policies, whereby technology functions not merely as a tool of efficiency but also as a means of achieving social and environmental responsibility. Consequently, AI policies should no longer stand alone but form part of the corporation's broader sustainability strategy.

However, in practice, the implementation of these policies faces various structural and regulatory challenges. One of the major challenges is the absence of specific regulations governing AI governance in Indonesia. Although existing legal frameworks such as the UU ITE and the Personal Data Protection Law provide some foundation, they are insufficient to address the ethical, legal, and corporate responsibility complexities associated with AI use. As a result, companies face legal uncertainty when making strategic decisions related to AI. The RUPS, as the highest corporate organ, must anticipate this legal gap by establishing internal policies grounded in the *precautionary principle*, as emphasized in sustainable development theory, which underscores the need for preventive measures against emerging technological risks.

In addition to regulatory issues, another barrier lies in the limited AI and sustainability literacy among shareholders and corporate executives. Many decisions are made without a deep understanding of the technological, social, and environmental implications, resulting in policies that are merely procedural. This situation illustrates that the success of GCG and sustainable development depends not only on institutional structures but also on the human capacity managing them. Therefore, training and improving technological and sustainability literacy among the Board of Directors, the Board of Commissioners, and shareholders are urgent measures.

Furthermore, there exists a persistent tension between short-term profit orientation and long-term sustainability objectives. Many shareholders remain focused on immediate financial outcomes, whereas investments in ethical and environmentally responsible AI often require extended timeframes to yield returns. Here, the principle of responsibility within GCG becomes crucial: the RUPS must ensure that strategic decisions are not driven solely by profit motives but also take into account the long-term economic, social, and environmental impacts.

Another equally serious challenge is the risk of *greenwashing*, in which companies claim to implement sustainable practices without demonstrating actual implementation. Within the RUPS context, this risk can be mitigated by strengthening sustainability audit mechanisms and independent oversight. Decisions should be supported by measurable indicators and transparent reporting, including annual reports that encompass AI governance and ESG aspects.

To address these challenges, the RUPS can establish an adaptive governance mechanism. Prior to the RUPS meeting, the Board of Directors should prepare a comprehensive risk assessment and a social-environmental impact analysis of AI and sustainability policies. During the meeting, the RUPS must ensure equal participation opportunities for all shareholders, including minority shareholders. After decisions are made, the Board of Commissioners and oversight committees are obligated to conduct periodic evaluations of policy implementation. Additionally, companies should publicly disclose their achievements and challenges as a form of accountability.

From the foregoing discussion, it is evident that the Rapat Umum Pemegang Saham (RUPS), through the implementation of GCG principles, serves as a primary instrument in ensuring that technological transformation and sustainability policies align with sustainable development goals. Through transparent, accountable, responsible, independent, and fair governance, companies can manage AI innovation without compromising human values and environmental preservation. Hence, the role of the RUPS extends beyond corporate interests, becoming part of a collective responsibility to

achieve inclusive, equitable, and sustainable development for the broader society. In conclusion, the RUPS when conducted in accordance with GCG principles can serve as a highly relevant strategic forum for formulating corporate policies related to AI and sustainability. GCG principles such as transparency, accountability, responsibility, independency, and fairness provide a normative framework ensuring that corporate AI and sustainability policies are not only legally valid but also ethical, equitable, and sustainable.

Nevertheless, the successful execution of the RUPS's function in this context is not automatically guaranteed. Regulatory, literacy, corporate culture, and implementation challenges must be effectively addressed. Therefore, corporations in Indonesia must strengthen their RUPS mechanisms, enhance shareholder and corporate organ literacy, and establish monitoring and reporting systems that integrate technological innovation and sustainability into sound governance practices. Future research could explore empirical practices among Indonesian companies that have incorporated AI and sustainability policies into their RUPS agendas and analyze the role of minority shareholders and external stakeholders in these processes.

2. Challenges in Law, Ethics, and Regulation in the Implementation of Artificial Intelligence and Sustainability Policies in Indonesian Corporations

To date, Indonesia has not yet established a comprehensive legal instrument governing the use of Artificial Intelligence (AI) in corporate activities. The existing regulations remain sectoral, partial, and adaptive to the broader development of digital technology. Three primary legal foundations that are commonly referred to include Law Number 11 of 2008 concerning Electronic Information and Transactions (UU ITE) and its amendments, Law Number 27 of 2022 concerning Personal Data Protection (UU PDP), and Circular Letter of the Minister of Communication and Informatics Number 9 of 2023 concerning Artificial Intelligence Ethics (SE Kominfo 9/2023).[16]

UU ITE serves as the earliest and broadest legal framework regulating activities based on information technology. In Article 1, point (1), UU ITE defines an electronic system as a series of electronic devices and procedures that function to prepare, collect, process, analyze, store, display, and/or distribute electronic information.[17] This definition can encompass AI-based systems, as AI operates through processes of data analysis and

[16] Denisa, Adinda Putri, Muhamad Amirulloh, and Helitha Novianty Muchtar. "Sertifikat Keandalan Privasi Sebagai Salah Satu Bentuk Pelindungan Konsumen Di Bidang Informasi Dan Transaksi Elektronik." *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional* 12.2 (2023).
[17] Hutabarat, Sumiaty Adelina, et al. *CYBER-LAW: Quo Vadis Regulasi UU ITE dalam Revolusi Industri 4.0 Menuju Era Society 5.0*. PT. Sonpedia Publishing Indonesia, 2023.

automated decision-making. Accordingly, every AI system operator utilized by a corporation is subject to Article 15 of UU ITE, which obliges electronic system providers to ensure the reliability, security, and accountability of their system operations.[18]

However, UU ITE does not provide specific legal norms regarding liability in cases of malfunction or bias within AI algorithms. The provision in Article 26 paragraph (1) concerning the protection of personal data in electronic media only establishes a general basis that the use of any personal data must be carried out with the consent of the data owner concerned. This article becomes relevant in the context of AI that performs data processing or machine learning based on customer data, as potential privacy violations often occur during such processes.The enactment of Law Number 27 of 2022 concerning Personal Data Protection (UU PDP) subsequently strengthened this protection. UU PDP regulates the rights of personal data subjects in greater detail, including the right to obtain an explanation regarding decisions made based on automated decision-making, as stipulated in Article 20 paragraph (1).[19] This provision is relevant to AI systems that automatically conduct candidate selection, credit approval, or risk assessment. Therefore, corporations are obligated to ensure that every use of algorithms with the potential to affect individual rights is accompanied by the principles of transparency, accountability, and non-discrimination.

In addition to UU ITE and UU PDP, the government, through SE Kominfo Number 9 of 2023 concerning Artificial Intelligence Ethics, has provided normative guidelines to encourage the ethical implementation of AI. Although it is not legally binding (non-binding guideline), this circular emphasizes key principles such as algorithmic fairness, non-discrimination, transparency, and accountability for both AI developers and users. These principles reflect Indonesia's adaptation to global ethical frameworks, such as the UNESCO Recommendation on the Ethics of Artificial Intelligence (2021) and the EU Artificial Intelligence Act (2024).

Nevertheless, a legal vacuum remains the central issue. There is no national regulation that comprehensively governs obligations for algorithmic audits, legal liability for AI decisions, or certification mechanisms for AI systems. Consequently, corporations face legal uncertainty in determining the boundaries of their liability whether administrative, civil, or criminal. The implementation of AI poses significant challenges in identifying the responsible party when the system produces erroneous or harmful decisions. Within

[18] Respati, Adnasohn Aqilla. "Reformulasi UU ITE terhadap Artificial Intelligence Dibandingkan dengan Uni Eropa dan China AI Act Regulation." *Jurnal USM Law Review* 7.3 (2024): 1737-1758.
[19] Priliasari, Erna. "Perlindungan data pribadi konsumen dalam transaksi e-commerce." *Jurnal Rechts Vinding: Media Pembinaan Hukum Nasional* 12.2 (2023).

Indonesia's legal framework, which adheres to the principle of fault liability, the proof of fault serves as the primary basis for establishing legal accountability. However, in autonomous decision-making systems, it is difficult to determine the actor at fault, since decisions are not entirely made by humans.

For instance, if a company employs AI for recruitment and the system rejects an applicant due to algorithmic bias, the question arises as to whether liability lies with the AI developer, the corporate user, or the system itself. Neither UU ITE nor UU PDP provides an explicit answer to this matter. In practice, corporations are generally positioned as the responsible party for the systems they utilize, consistent with the principle of vicarious liability recognized in civil law.

In addition, from the evidentiary perspective, Indonesia's judicial system has not yet established a specific mechanism to assess the validity of algorithmic evidence. The civil procedural law still refers to Article 1866 of the Civil Code (KUHPerdata) and Article 184 of the Criminal Procedure Code (KUHAP), which categorize evidence into witness testimony, documents, indications, and expert statements.[20] Digital evidence generated by AI has not yet received explicit recognition, even though Article 5 of UU ITE acknowledges electronic information and electronic documents as valid evidence. The challenge lies in assessing the reliability and integrity of the algorithms that serve as the basis for decision-making.

As a comparison, the European Union, through the EU Artificial Intelligence Act 2024, has established clearer liability provisions by categorizing AI systems into four risk levels: unacceptable risk, high risk, limited risk, and minimal risk. AI systems classified as high risk—such as those used in recruitment, finance, or healthcare—are required to undergo independent audits, public disclosure, and algorithm certification. Indonesia can learn from this mechanism to develop a similar accountability framework.

From an ethical standpoint, the main challenges in corporate AI implementation involve algorithmic bias, opacity, and a lack of accountability. AI operates based on historical data collected by humans; therefore, bias embedded in data can translate into biased decisions. This creates a potential for discrimination—for instance, on the basis of gender, race, or social background. In the context of business ethics, Indonesian corporations are expected to apply the principles of Good Corporate Governance (GCG) namely transparency, accountability, responsibility, independency, and fairness in both the development and use of AI. The principle of transparency requires companies to

[20] Romadiyah, Siti Nurul. "Analisis Jenis-Jenis Alat Bukti dan Kekuatan Bukti Digital Dalam Pembuktian Acara Perdata." *El-Qisth Jurnal Hukum Keluarga Islam* 4.02 (2021).

explain to stakeholders how their algorithms function, while accountability demands the establishment of internal oversight mechanisms for AI-generated decisions.

SE Kominfo No. 9 of 2023 states that AI must be developed with due regard to human values, respect for human rights, and the assurance of social inclusivity. In this context, Article 28G paragraph (1) of the Constitution of the Republic of Indonesia (UUD NRI 1945) on the protection of personal integrity, and Article 28H paragraph (1) on the right to security, may serve as constitutional foundations for safeguarding individuals from the negative impacts of unethical AI.[21] Ethical challenges are also closely related to privacy and personal data security, particularly because AI systems rely heavily on large-scale data collection (big data). Through Articles 46–47, UU PDP stipulates the obligations of data controllers to ensure the security of personal data, as well as the requirement to report any data breaches. However, in practice, corporations often face a dilemma between the need for data to enhance AI efficiency and the legal obligation to protect user privacy.

The absence of a comprehensive regulatory framework has resulted in fragmented AI policies in Indonesia, with governance largely depending on individual sectors. For instance, the Otoritas Jasa Keuangan (OJK) regulates the use of AI-based financial technology under POJK No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector, while the healthcare sector refers to Permenkes No. 24 of 2022 on Electronic Medical Records. Each sector governs AI usage according to its specific context, without a unified national standard.

This condition contrasts with the European Union, which has enacted the EU AI Act 2024, establishing cross-sectoral legal standards, including mechanisms for certification, pre-market conformity assessment, and strict administrative sanctions. Similarly, Singapore has implemented a Model AI Governance Framework (2020) that is binding for corporations, emphasizing the principles of accountability, auditability, and explainability in AI systems.

Indonesia, in fact, holds significant potential to integrate AI policy with its corporate sustainability agenda. The principle of sustainability, as regulated under OJK Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance, requires financial institutions, issuers, and public companies to prepare a sustainability report. This report could be expanded to include the ethical and governance dimensions of AI, thereby

[21] Hapid, Fasa Muhamad. "Penerapan asas Geen Straf Zonder Schuld dalam penindakan terhadap kejahatan penyalahgunaan teknologi Deepfake." *USM Law Review* 7.3 (2024).

positioning responsible AI implementation as part of corporate social responsibility (CSR).

The integration of AI policy and sustainability represents both a strategic challenge and an opportunity for corporations in Indonesia. AI can be utilized to support the achievement of Sustainable Development Goals (SDGs), such as energy efficiency, waste management, and the advancement of a green economy. However, the adoption of AI without adherence to Good Corporate Governance (GCG) principles and ethical regulations may generate new environmental and social issues, such as increased carbon footprints from data centers or job losses due to automation.

As the highest governing body of a company, the Rapat Umum Pemegang Saham (RUPS) holds a strategic role in determining the direction of such policies. Pursuant to Article 78 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies (UU PT), the RUPS is authorized to make key decisions related to the management and policy direction of the company.[22] Therefore, decisions regarding the implementation of AI must be approved in the RUPS forum with due regard to the principles of prudence and corporate social responsibility, as stipulated in Article 74 of the Law on Limited Liability Companies (UU PT) concerning the obligation of social and environmental responsibility (CSR).

Accordingly, corporations in Indonesia need to integrate AI policies into the Good Corporate Governance (GCG) mechanism through the following measures:

a. Establishing an internal AI ethics policy,
b. Forming a technology oversight committee under the Board of Commissioners,
c. Implementing algorithmic audits and assessing the social and environmental impacts of AI, and
d. Disclosing AI policies within the sustainability report.

These steps can enhance stakeholder trust and strengthen the corporation's social legitimacy in the digital era. The implementation of AI and sustainability policies within Indonesian corporations faces complex legal, ethical, and regulatory challenges. The absence of a comprehensive national legal framework has led to uncertainty in liability and evidentiary standards, while from an ethical standpoint, mechanisms ensuring transparency, accountability, and algorithmic non-discrimination are still required. Moreover, regulatory fragmentation across sectors hinders the legal system's adaptation to rapidly evolving technological realities. Indonesia must urgently adopt a policy

[22] Saraswati, Jovinka Dwi, and Uti Asikin. "ANALISIS YURIDIS PERSEROAN TERBATAS TERTUTUP YANG TIDAK MELAKSANAKAN RAPAT UMUM PEMEGANG SAHAM TAHUNAN." *Tanjungpura Acta Borneo Jurnal* 2.2 (2024).

framework that integrates AI regulation, GCG principles, and corporate sustainability frameworks, drawing lessons from best practices in the European Union and Singapore. The establishment of a specific AI regulation governing audits, certification, and legal liability represents a crucial step toward ensuring fairness and protection for all stakeholders.

CONCLUSION

The study concludes that Rapat Umum Pemegang Saham (RUPS) plays a strategic role in determining policies related to Artificial Intelligence (AI) and sustainability through the application of Good Corporate Governance (GCG) principles. By implementing the principles of transparency, accountability, responsibility, independence, and fairness, RUPS can provide legitimacy, oversight, and balance between economic efficiency and socio-environmental responsibility. However, the effectiveness of RUPS remains constrained by regulatory gaps, shareholder literacy, and ethical risks, which need to be addressed to fully realize the potential of GCG in AI and sustainability governance.

To strengthen the governance process, it is recommended that Indonesian corporations reinforce GCG mechanisms by enhancing shareholder education on AI and sustainability, and develop comprehensive regulatory frameworks for AI governance. Additionally, creating independent oversight committees within RUPS, specifically for AI and sustainability-related matters, could help mitigate ethical risks. It is also crucial for corporations to prioritize inclusive decision-making that considers the perspectives of all stakeholders, including minority shareholders and external stakeholders.

The study's limitations include the lack of empirical data on the actual implementation of AI governance policies in RUPS meetings within Indonesian companies and the narrow focus on legal frameworks without exploring broader socio-economic factors. Therefore, future research should focus on empirical studies that examine real-world RUPS decision-making related to AI and sustainability, particularly looking at case studies of Indonesian corporations that have successfully integrated GCG into these areas. Future studies could also explore the impact of international best practices in AI governance on Indonesia's regulatory landscape and corporate practices, offering further insights into cross-jurisdictional approaches to AI and sustainability governance.

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