Corporate Sustainability and Human Rights Protection in the Lapindo Mudflow: An Analysis of ESG Failures and UNGPs Framework

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Abstract
The Lapindo Mudflow disaster, triggered by drilling activities at the Banjar Panji-1 well in Sidoarjo on 29 May 2006, remains one of Indonesia's most significant environmental and human rights cases. This study analyzes the incident from the perspectives of Environmental, Social, and Governance (ESG), the United Nations Guiding Principles on Business and Human Rights (UNGPs), Sustainable Development Goals (SDGs), and corporate sustainability. Using normative legal research with statutory, conceptual, and case approaches, the study examines national and international legal instruments relevant to corporate accountability and human rights protection. The findings indicate substantial shortcomings in environmental risk mitigation, social responsibility, and corporate governance. The disaster caused environmental degradation, displacement of communities, loss of livelihoods, and long-term socioeconomic impacts. From the UNGPs perspective, deficiencies were identified in the pillars of Respect and Remedy, while the State's Protect obligation was implemented but not optimally fulfilled. The study concludes that sustainable business practices require stronger ESG implementation, effective human-rights due diligence, transparent governance, and timely remedies for affected communities.

Keywords: Lapindo Mudflow; ESG; Human Rights; UNGPs; Corporate Sustainability

Introduction

The trajectory of global business has undergone profound transformation over recent decades. Contemporary corporations are no longer assessed solely by their economic performance; they are increasingly evaluated through the lens of environmental stewardship, respect for human rights, and sound governance. In this context, the frameworks of Environmental, Social, and Governance (ESG), the United Nations Guiding Principles on Business and Human Rights (UNGPs), and the Sustainable Development Goals (SDGs) have emerged as foundational standards for measuring corporate accountability and sustainability (Vanclay & Hanna, 2019).

The application of ESG principles is particularly critical in the extractive industries, where business operations frequently generate significant environmental and social externalities. Companies operating in natural resource sectors are bound not only by ethical obligations but also by increasingly robust legal requirements to manage environmental risks, protect affected communities, and maintain transparent governance structures. The concept of corporate sustainability — encapsulating the "Triple Bottom Line" of profit, people, and planet — demands that companies embed sustainability into their core operational frameworks rather than treating it as a peripheral compliance concern (Elza, 2025).

Against this backdrop, the Lapindo Mud Disaster stands as one of the most consequential industrial and environmental catastrophes in Indonesian legal history. On 29 May 2006, PT Lapindo Brantas Inc. commenced drilling operations at the Banjar Panji-1 exploratory well in Porong Sub-District, Sidoarjo Regency, East Java. The operations triggered an uncontrolled eruption of hot mud that inundated residential areas, agricultural land, public facilities, and critical infrastructure across a vast affected zone. The disaster displaced tens of thousands of residents, destroyed livelihoods, and generated enduring environmental, social, and legal controversies that persist to the present day.

From a Business and Human Rights perspective, the Lapindo case presents a textbook illustration of the consequences that arise when corporations fail to integrate human rights due diligence into high-risk extractive operations. The National Human Rights Commission of Indonesia (Komnas HAM) identified at least 15 categories of human rights violations against victims of the Lapindo mud disaster under Law Number 39 of 1999 on Human Rights. [1] This finding reinforces the position that the disaster extends beyond an environmental incident to constitute a compound human rights violation with multi-dimensional legal implications.

This article seeks to address four principal research questions: (1) whether PT Lapindo Brantas Inc. violated corporate responsibility principles under ESG and Business and Human Rights frameworks; (2) how the state fulfilled its duty to protect affected communities under the UNGPs; (3) whether the compensation and recovery mechanisms satisfied human rights and justice standards; and (4) how the Lapindo Disaster relates to the broader frameworks of SDGs, UNGPs, UNGC, ESG, and corporate sustainability. The analysis proceeds through a normative legal research methodology, examining

applicable international instruments and national legislation against the documented factual record.

The Lapindo Mud Disaster originated on 29 May 2006, when drilling operations conducted by PT Lapindo Brantas Inc. at the Banjar Panji-1 exploratory well in Porong Sub-District, Sidoarjo Regency, East Java, triggered an uncontrolled eruption of hot mud. The scale and persistence of the eruption proved catastrophic: mud flows progressively inundated residential settlements, agricultural land, industrial zones, public facilities, and critical transport infrastructure. Thousands of families were displaced, livelihoods were irreparably destroyed, and entire communities were dismantled. Facilities including schools, places of worship, roadways, and industrial estates sustained severe damage.

Particulars	Details
Case Name	Lapindo Mudflow (Lumpur Lapindo)
Location	Porong Sub-District, Sidoarjo Regency, East Java
Date of Incident	29 May 2006 (ongoing)
Company	PT Lapindo Brantas Inc.
Sector	Oil and Gas Extraction
Case Type	Industrial and Environmental Disaster
Current Status	Ongoing — remediation and compensation not fully resolved

Table 1. *Case Identity*

Government responses included the construction of mud embankments, community relocation programmes, the establishment of the Badan Penanggulangan Lumpur Sidoarjo (BPLS) in 2007, and the disbursement of financial compensation to affected residents. Despite these measures, the protracted nature of the remediation process and ongoing disputes over compensation adequacy generated sustained criticism from civil society, legal scholars, and human rights bodies. The Lapindo Mud Disaster has since become a defining reference case in Indonesian legal and policy discourse on corporate accountability, environmental governance, and business and human rights.

Year	Event
2006	First mud eruption at Banjar Panji-1 exploratory well; residential areas inundated
2006	Thousands of dwellings submerged; mass displacement of residents
2007	Government established Badan Penanggulangan Lumpur Sidoarjo (BPLS)
2007–2008	Construction of mud embankments to contain the flow

2008	Scientific and legal controversy regarding causation (natural event vs. human error)
2010	Large-scale community relocation programmes implemented
2013	Compensation processes still ongoing; numerous court disputes filed
2015	Supreme Court ruling (Mahkamah Agung) addressed legal liability and disaster status
2020–present	Compensation and social-economic recovery remain incomplete; residual social impacts persist

Table 2. *Chronology of Key Events*

Based on the chronology of the case, several legal issues can be analyzed, including:

1. Has PT Lapindo Brantas Inc. violated the principles of corporate responsibility from the perspectives of ESG and Business and Human Rights in its business activities?
2. What is the state's responsibility in protecting the human rights of affected communities according to the UNGPs principles?
3. Have the compensation and recovery mechanisms for the victims adhered to the principles of justice and human rights protection?

Research Method

This study employs a normative legal research (doctrinal research) methodology, examining the normative legal framework, statutory instruments, legal theories, and general principles of law applicable to the Lapindo Mud Disaster. Normative legal research is the appropriate methodology for this analysis because the research questions turn on the interpretation and application of legal norms — international human rights instruments, national legislation, and corporate responsibility frameworks — rather than on empirical data collection.

Three complementary legal approaches are employed. The statute approach involves the systematic examination of relevant national legislation and international legal instruments. The case approach analyses the factual and legal dimensions of the Lapindo case through the lens of applicable legal frameworks. The conceptual approach applies the theoretical constructs of ESG, UNGPs, SDGs, UNGC, and corporate sustainability to the case facts.

Primary international legal sources include the United Nations Guiding Principles on Business and Human Rights (2011), the United Nations Global Compact (2000), the 2030 Agenda for Sustainable Development/SDGs (2015), the Universal Declaration of Human Rights (1948), and the International Covenant on Economic, Social and Cultural Rights (1966). Primary national sources include the Constitution of the Republic of Indonesia of 1945, Law Number 39 of 1999 on Human Rights, Law Number 32 of 2009 on Environmental Protection and Management, Law Number 40 of 2007 on Limited Liability Companies, and the Civil Code (Kitab Undang-Undang Hukum Perdata).

Secondary sources comprise peer-reviewed academic journals, monographs, and official reports on ESG, corporate sustainability, and Business and Human Rights. Tertiary sources include legal dictionaries and legal encyclopaedias.

Data analysis proceeds through a descriptive-qualitative approach, integrating the factual record of the Lapindo case with applicable legal theories, national regulations, and international instruments. This analytical method is consonant with standard practice in normative legal research in the Indonesian and international academic traditions.

Research Component	Description
Research Type	Normative Legal Research (Doctrinal)
Approaches	Statute Approach; Case Approach; Conceptual Approach
Analysis Technique	Descriptive-Qualitative Legal Analysis
Primary Sources (International)	UNGPs (2011); UNGC; SDGs; UDHR; ICESCR
Primary Sources (National)	UUD NRI 1945; Law No. 32/2009 on EPEM; Law No. 39/1999 on Human Rights; Law No. 40/2007 on Limited Liability Companies; Civil Code (KUHPerdata)
Secondary Sources	Peer-reviewed journals, academic books, official reports on ESG and corporate sustainability
Tertiary Sources	Legal dictionaries; legal encyclopaedias

Table 3. *Research Methodology Framework*

Results and Discussions

International Legal Framework

In the perspective of international law, the Lapindo Mud Disaster implicates multiple foundational human rights instruments. The disaster is not reducible to an environmental incident alone; it constitutes a compound violation of economic, social, and cultural rights, and of the right to an adequate standard of living, as guaranteed under core international human rights treaties to which Indonesia is a state party.

Article 25(1) of the Universal Declaration of Human Rights (UDHR) affirms that every person has the right to a standard of living adequate for health and well-being, including the right to housing. The mass displacement of Lapindo victims and the destruction of their residential environment directly impaired this right. [2] The International Covenant on Economic, Social and Cultural Rights (ICESCR) further reinforces these protections: Article 11 guarantees the right to adequate housing and an adequate standard of living, while Article 12 affirms the right to the highest attainable standard of physical and mental health. Environmental degradation caused by the mud disaster had measurable adverse effects on community health, housing conditions, and socio-economic activity.

Instrument	Principle / Substance	Relevance to Lapindo Case
UDHR, Art. 25(1)	Right to adequate standard of living	Loss of shelter and livelihoods of affected communities
ICESCR, Art. 11 & 12	Right to housing and highest attainable standard of health	Environmental damage disrupted housing and health
ILO Core Conventions	Protection of workers' rights and decent work	Mass unemployment due to submerged industrial zones
UNGPs (2011)	Protect–Respect–Remedy framework	Benchmark for state and corporate human rights obligations
SDGs (2015)	Sustainable development across economic, social, and environmental dimensions	SDG 8, 11, 13, and 16 directly implicated
UNGC (2000)	10 principles on human rights, labour, environment, anti-corruption	Corporate ethical duty to avoid social harm
ESG Framework	Environmental, Social, Governance performance criteria	Evaluative criterion for corporate accountability

Table 4. *Relevance of International Instruments to the Lapindo Mud Disaster*

`The International Labour Organization (ILO) Core Conventions reinforce the obligation to protect workers' rights and ensure decent livelihoods. The submersion of industrial zones and commercial areas directly caused mass unemployment and loss of livelihood for a significant portion of the affected population. [3] The United Nations Guiding Principles on Business and Human Rights (UNGPs), endorsed by the UN Human Rights Council in 2011, constitute the authoritative international framework for assessing state and corporate obligations arising from business-related human rights harm. The UNGPs are built on three pillars: the state duty to protect, the corporate responsibility to respect, and access to remedy.

The UNGPs explicitly place companies as subjects within the international human rights regime, affirming that companies bear a responsibility in the form of an obligation to respect human rights — an obligation to respect that is distinct from and complementary to the state's obligation to protect. [4] The Lapindo case also engages SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action), and SDG 16 (Peace, Justice and Strong Institutions), reflecting the multi-dimensional impact of extractive industry disasters on sustainable development objectives. The United Nations Global Compact (UNGC) — to which participating companies voluntarily commit — establishes 10 principles covering human rights, labour standards, environmental responsibility, and anti-corruption; each of these principles was implicated by the Lapindo Disaster.

National Legal Framework

Indonesian national law provides a robust normative framework for the protection of environmental rights and the accountability of corporate actors. At the constitutional level, Article 28H (1) of the 1945 Constitution (UUD NRI 1945) guarantees every person the right to a decent and prosperous life, the right to housing, and the right to a good and healthy living environment. Article 27(2) further protects the right of every citizen to decent employment and livelihood. These constitutional guarantees were demonstrably violated by the Lapindo Disaster, which deprived affected communities of their homes, livelihoods, and healthy environment.

Law Number 39 of 1999 on Human Rights reinforces these constitutional protections. Article 9(3) expressly affirms the right of every person to a good and healthy environment, while Article 40 guarantees the right to housing and an adequate standard of living. The environmental and social damage caused by the Lapindo mud eruption constitutes a direct impairment of these statutory rights. [5]

Law Number 32 of 2009 on Environmental Protection and Management (PPLH) provides the primary statutory basis for corporate environmental liability. Article 87(1) mandates that any business entity responsible for environmental pollution or degradation must pay compensation and undertake remediation measures. Article 88 introduces the principle of strict liability (tanggung jawab mutlak), imposing absolute corporate liability without the requirement of proving fault for activities that pose a serious threat to the environment — a provision of direct application to the Lapindo case.

National Regulation	Legal Substance	Relevance to Lapindo Case
UUD NRI 1945, Art. 28H(1)	Right to healthy environment and decent living	Community environment severely damaged
UUD NRI 1945, Art. 27(2)	Right to decent employment	Loss of work and sources of income
Law No. 39/1999 on HAM, Art. 9(3) & 40	Right to healthy environment and adequate housing	Victims lost housing and healthy environment
Law No. 32/2009 on PPLH, Art. 87 & 88	Corporate liability for environmental damage; strict liability principle	Basis for corporate remediation and compensation obligations
Law No. 40/2007 on PT, Art. 74	Mandatory CSR for natural resource-related companies	Corporate social and environmental responsibility
Civil Code (KUHPerdata), Art. 1365	Liability for unlawful acts (onrechtmatige daad)	Legal basis for civil damages claims

Table 5. *Relevance of National Legal Instruments to the Lapindo Mud Disaster*

Law Number 40 of 2007 on Limited Liability Companies (PT) imposes a mandatory corporate social responsibility obligation. Article 74(1) requires companies engaged in or related to natural resource exploitation to implement a Corporate Social Responsibility (CSR) programme. This provision confirms that the legal obligations of corporations transcend economic imperatives to encompass social and environmental responsibilities towards affected communities. [6]

In the sphere of civil liability, Article 1365 of the Civil Code (Kitab Undang-Undang Hukum Perdata) establishes the foundational doctrine of unlawful act (onrechtmatige daad), providing that any act causing harm to another creates a legal obligation to provide compensation. This provision forms the primary civil law basis for victim compensation claims in the Lapindo case.

ESG Analysis: Corporate Responsibility of PT Lapindo Brantas Inc.

The evaluation of PT Lapindo Brantas Inc.'s conduct under the ESG framework reveals systemic deficiencies across all three pillars. In the extractive industries context, ESG performance is not merely an ethical aspiration but increasingly a legal and reputational imperative. The following analysis examines each pillar in turn.

The Environmental pillar of ESG focuses on the impact of corporate activities on the natural environment, including risk management, pollution prevention, resource stewardship, and commitment to ecological sustainability. Oil and gas exploration constitutes a categorically high-risk activity, imposing on operators a heightened duty of environmental due diligence, adherence to the precautionary principle, rigorous technical oversight, and implementation of sustainable environmental protection mechanisms.

The Lapindo mud eruption demonstrated the catastrophic consequences of inadequate environmental risk management. The uncontrolled mud flow caused widespread ecosystem destruction, rendered agricultural land permanently unproductive, submerged residential areas and industrial zones, destroyed transport infrastructure, and generated long-term ecological impacts of an irreversible character. These outcomes are consistent with the indicators of severe environmental ESG failure.

Environmental Indicator	Condition	Assessment
Environmental Risk Mitigation	Inadequate	Poor
Prevention of Environmental Damage	Failed	Poor
Environmental Protection Mechanisms	Insufficient	Poor
Sustainability Management Systems	Non-functional	Poor
Environmental Monitoring and Compliance	Ineffective	Poor

Table 6. *Environmental Pillar Assessment*

Environmental Impact	Description
Ecosystem Destruction	Mud flows destroyed ecological habitats and environmental equilibrium
Soil Contamination	Agricultural land rendered permanently unproductive
Loss of Land Function	Paddy fields and residential zones submerged indefinitely
Infrastructure Damage	Roads, railway lines, and public facilities destroyed
Long-Term Environmental Risk	Permanent and irreversible ecological impacts documented

Table 7. *Environmental Impact Evaluation*

The Social pillar of ESG encompasses the company's management of relationships with workers, affected communities, and society at large, including respect for human rights and the implementation of corporate social responsibility. The Lapindo Disaster generated severe social impacts that affected tens of thousands of residents across the Porong and surrounding sub-districts.

Mass displacement severed community bonds and social structures. The loss of housing, employment, and sources of livelihood generated widespread economic deprivation and psychological trauma. Protracted disputes overcompensation further exacerbated social conflict and community disintegration. In the framework of Business and Human Rights, companies are obligated to respect human rights by conducting human rights due diligence (HRDD) — a process to identify, prevent, mitigate, and account for adverse human rights impacts arising from their operations. [7] The absence of documented HRDD processes prior to drilling operations at Banjar Panji-1 constitutes a fundamental failure of corporate responsibility under the UNGPs.

Affected Right	Form of Impact
Right to Housing (Art. 28H UUD 1945)	Dwellings and settlements submerged
Right to Employment (Art. 27(2) UUD 1945)	Loss of employment and business activities
Right to Health (ICESCR Art. 12)	Physical and psychological health deterioration
Right to Adequate Standard of Living (UDHR Art. 25)	Widespread socio-economic welfare decline
Social Rights	Social conflict and community disintegration due to relocation

Table 8. *Social Impact Assessment — Affected Human Rights*

Social Damage Category	Description
Mass Displacement	Thousands of residents forcibly relocated
Psychological Trauma	Mental distress and prolonged socio-economic uncertainty
Social Conflict	Disputes arising from unresolved compensation claims
Community Disintegration	Established social structures and community bonds severed
Welfare Decline	Significant deterioration of economic conditions

Table 9. *Social Damage Assessment*

The Governance pillar of ESG addresses the quality and integrity of corporate management, encompassing transparency, accountability, risk management, stakeholder engagement, and ethical conduct. Good corporate governance (GCG) principles require that corporations maintain clear accountability structures, disclose relevant operational risks, engage meaningfully with affected stakeholders, and establish robust internal controls.

The Lapindo case reveals significant governance deficiencies. There was an apparent absence of proactive environmental risk disclosure and inadequate accountability mechanisms during and after the disaster. The protracted nature of the compensation process — spanning nearly two decades — reflects systemic weaknesses in corporate and governmental accountability frameworks. Regulatory oversight of high-risk extractive operations was also demonstrated to be insufficient to prevent or adequately respond to the disaster.

Governance Aspect	Assessment
Transparency	Weak — limited disclosure of operational and risk management information
Accountability	Contested — corporate accountability disputed in legal proceedings
Risk Management	Ineffective — precautionary measures absent prior to incident
Stakeholder Engagement	Low — community involvement in decision-making was minimal
Sustainability Governance	Sub-optimal — no integrated sustainability governance framework

Table 10. *Governance Assessment*

ESG Pillar	Indicator	Factual Finding
Environmental	Risk Mitigation	Inadequate — no precautionary measures prior to drilling
Environmental	Prevention of Damage	Failed — catastrophic and uncontrolled mud eruption
Social	Community Protection	Unfulfilled — mass displacement without adequate safeguards
Social	Victim Recovery	Delayed — compensation and social restoration still contested
Governance	Transparency	Weak — limited public disclosure of risk data
Governance	Accountability	Disputed — legal responsibility contested across actors

Table 11. *ESG Assessment Matrix — PT Lapindo Brantas Inc.*

Risk Category	Risk Level	Short-Term Impact	Long-Term Impact
Environmental	Very High	Widespread contamination and ecosystem collapse	Permanent ecological damage; irreversible land loss
Social	Very High	Mass displacement and loss of community assets	Prolonged social trauma and community disintegration
Economic	High	Loss of income and livelihood sources	Structural poverty and multi-generational welfare decline
Human Rights	Very High	Violation of housing, health, and employment rights	Long-term quality of life deterioration

Table 12. *Severity Impact Matrix*

State Responsibility Under the UNGPs: The State Duty to Protect

The United Nations Guiding Principles on Business and Human Rights establish a comprehensive tripartite framework to address the relationship between business activities and human rights. This framework encompasses: the state duty to protect human rights against interference by third parties, including corporations; the corporate responsibility to respect human rights; and the right of victims to access effective remedy. [8] In the context of the Lapindo Disaster, analysis under each UNGPs pillar reveals significant compliance deficits.

Under the Protect pillar, the Indonesian state was obligated to establish and enforce an adequate regulatory framework to prevent corporate activities from causing human rights harm. The granting of drilling permits in a zone encompassing residential settlements — which was inconsistent with applicable spatial planning regulations, including Presidential Instruction No. 1 of 1976 on Advocacy Networks in the Mining Sector — reflects a failure of preventive regulatory governance. While the government subsequently established the BPLS and implemented emergency response measures, the initial failure of regulatory oversight contributed materially to the scale of the disaster.

Under the Respect pillar, PT Lapindo Brantas Inc. was required to respect human rights by implementing human rights due diligence — identifying, preventing, and mitigating potential adverse human rights impacts. The absence of documented HRDD processes prior to drilling operations, and the inadequate management of the social and environmental impacts following the eruption, constitutes a substantive failure of the corporate responsibility to respect human rights under UNGPs Pillar II.

Under the Remedy pillar, victims of business-related human rights harm are entitled to access effective judicial and non-judicial remediation mechanisms. The Lapindo compensation process was characterised by protracted delays, repeated deferral of payment schedules, insufficient social rehabilitation measures, and persistent legal disputes over liability. These characteristics fall materially short of the UNGPs standard for effective, accessible, and expeditious remedy. [9]

UNGPs Pillar	Normative Standard	Implementation Evaluation
Protect (State Duty)	State obligation to protect communities from business-related human rights harm through regulation and enforcement	Government responses (BPLS, embankments, compensation) were partial and delayed; regulatory oversight proved insufficient
Respect (Corporate Responsibility)	Corporate obligation to avoid causing or contributing to human rights harm through due diligence	PT Lapindo Brantas failed to implement adequate human rights due diligence prior to and during drilling operations
Remedy (Access to Justice)	Right of victims to effective remediation through judicial and non-judicial mechanisms	Compensation processes were protracted; social-economic recovery mechanisms remained contested and incomplete

Table 13. *UNGPs Pillar Analysis — Lapindo Mud Disaster*

HRDD Component	Condition
Identification of Human Rights Risks	Weak — no pre-drilling HRDD process documented

Prevention and Mitigation of Risks	Inadequate — absence of enforceable risk management protocols
Monitoring of Human Rights Impacts	Ineffective — no systematic post-incident impact tracking
Victim Recovery and Remediation	Delayed — compensation and restoration processes severely protracted

Table 14. *Human Rights Due Diligence (HRDD) Analysis*

Adequacy of Compensation and Recovery Mechanisms

The compensation and recovery mechanisms implemented in response to the Lapindo Disaster have been the subject of sustained legal and academic scrutiny. While financial compensation was ultimately disbursed to affected residents, the process was characterised by extended delays, contested liability determinations, insufficient coverage of socio-economic losses, and inadequate attention to psychological and community rehabilitation needs.

From the perspective of UNGPs Pillar III, effective remedy must be timely, adequate, and accessible. Remediation must encompass not only financial compensation for material losses, but also measures to restore the social, economic, psychological, and environmental conditions of affected communities. The Lapindo remediation process has, by these standards, remained manifestly insufficient. Judicial proceedings before the Supreme Court (Mahkamah Agung) addressed questions of legal liability and disaster classification, yet definitive and fully implemented remediation has not been achieved nearly two decades after the initial event.

The adequacy of compensation must also be assessed against the legal requirements of Article 87 of Law Number 32 of 2009, which mandates environmental restoration and compensation, and Article 1365 of the Civil Code, which imposes civil liability for unlawful acts causing harm. The protracted and contested nature of the compensation process indicates that the normative requirements of these provisions have not been fully satisfied in practice.

Remedy Aspect	**Condition**
Financial Compensation	Provided but significantly delayed; scope contested in legal proceedings
Social Recovery	Incomplete — community rehabilitation programmes remain sub-optimal
Economic Recovery	Limited — livelihood restoration not comprehensively addressed
Legal Certainty	Disputed — causation and liability remain subjects of ongoing judicial review

Human Rights Protection	Insufficient — UNGPs Pillar III standards not fully met

Table 15. *Remedy Assessment*

Relationship to SDGs, UNGC, ESG, and Corporate Sustainability

The Lapindo Mud Disaster has profound implications for the broader agenda of sustainable development. The United Nations Sustainable Development Goals (SDGs), adopted in 2015, constitute the global framework for guiding equitable, environmentally responsible, and socially inclusive development. [10] The Lapindo case is directly implicated in four SDGs: SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action and Environmental Protection), and SDG 16 (Peace, Justice and Strong Institutions). The displacement, environmental destruction, and institutional failures associated with the disaster represent a comprehensive negation of these goals in the affected territories.

The United Nations Global Compact (UNGC), launched in 2000, calls upon companies to embrace, support, and enact a set of core values in human rights, labour standards, the environment, and anti-corruption. The 10 principles of the UNGC establish that businesses should support and respect the protection of internationally proclaimed human rights, ensure they are not complicit in human rights abuses, support a precautionary approach to environmental challenges, and work against all forms of corruption. The Lapindo case demonstrates failures against multiple UNGC principles, particularly with respect to environmental precaution and community protection.

From the perspective of ESG and corporate sustainability, the Lapindo Disaster illustrates the profound risks that arise when corporations in high-impact industries fail to integrate sustainability into core governance and operational frameworks. Corporate sustainability, as articulated through the Triple Bottom Line framework (Profit, People, Planet), demands that companies simultaneously address economic performance, community welfare, and environmental stewardship. The Lapindo case presents a paradigmatic instance of the collapse of two of these three dimensions — people and planet — in the pursuit of economic extraction.

SDG	Goal	Connection to Lapindo Case
SDG 8	Decent Work and Economic Growth	Mass unemployment and business loss in affected areas
SDG 11	Sustainable Cities and Communities	Destruction of residential areas and forced relocation
SDG 13	Climate Action and Environmental Protection	Irreversible environmental damage and ecological risk
SDG 16	Peace, Justice and Strong Institutions	Unresolved legal accountability and institutional failure

Table 16. *Relationship to the Sustainable Development Goals (SDGs)*

TBL Dimension	Aspect	Condition
Profit	Economic Activity	Corporate operations continued generating revenue during the disaster period
People	Community Welfare	Massive human rights violations; communities suffered irreversible socio-economic harm
Planet	Environmental Sustainability	Severe and permanent ecological damage; environmental sustainability compromised

Table 17. *Triple Bottom Line Analysis*

Analysis of Responsible Parties

In the framework of Business and Human Rights and environmental liability, responsibility for the Lapindo Disaster does not reside exclusively with PT Lapindo Brantas Inc. The disaster also implicates the Central Government, the Regional Government of Sidoarjo, and the oil and gas regulatory authority, each of which bore distinct legal obligations in relation to high-risk extractive activities

Party	Form of Responsibility	Level	Legal Basis
PT Lapindo Brantas Inc.	Operational risk management; environmental and social liability	Very High	Art. 87–88 Law No. 32/2009; Art. 74 Law No. 40/2007; Art. 1365 KUHPerdata
Central Government	Regulatory oversight; state duty to protect (UNGPs Pillar I)	High	UUD NRI 1945; UNGPs (2011)
Regional Government	Community management; victim assistance and relocation	Medium	Law No. 32/2009; Law No. 39/1999
Oil & Gas Regulator	Technical supervision and permit enforcement	High	Law No. 22/2001 on Oil and Gas

Table 18. *Analysis of Responsible Parties*

Government Policy / Measure	Assessment
Construction of Mud Embankments	Positive — effective physical containment measure
Community Relocation Programme	Sub-optimal — insufficient housing and support services for relocatees

Compensation Disbursement	Delayed — payment schedules repeatedly extended; community dissatisfaction documented
Legal Enforcement	Weak — corporate accountability not consistently enforced
Human Rights Protection	Insufficient — state duty to protect under UNGPs not fully realised

Table 19. *Assessment of Government Policy Responses*

Conclusion

The Lapindo Mud Disaster constitutes a paradigmatic case of simultaneous ESG failure, corporate human rights violation, and inadequate state governance in the Indonesian extractive sector. This study has demonstrated that PT Lapindo Brantas Inc. failed to meet its corporate responsibility obligations across all three ESG pillars. Environmentally, the company failed to implement adequate risk mitigation and precautionary measures, resulting in catastrophic and irreversible ecological damage. Socially, the disaster generated severe and enduring human rights violations affecting tens of thousands of residents, as documented by the National Human Rights Commission (Komnas HAM), which identified at least 15 categories of human rights violations under Law Number 39 of 1999 on Human Rights. [11] From a governance perspective, weaknesses in transparency, accountability, and risk management indicate that the principles of good corporate governance were not implemented effectively.

The analysis under the UNGPs framework reveals that all three pillars — Protect, Respect, and Remedy — were inadequately realised. The state's duty to protect was only partially fulfilled; the corporate responsibility to respect human rights was not implemented through meaningful human rights due diligence; and access to effective remedy remained protracted, contested, and incomplete. The relationship between the Lapindo Disaster and the SDGs, UNGC, and corporate sustainability frameworks confirms that development based exclusively on economic extraction, without adequate regard for environmental sustainability and human rights, generates severe and multi-generational consequences. [12]

This case compels the conclusion that corporate sustainability in the extractive industries requires the systematic integration of ESG principles, human rights due diligence, and robust governance mechanisms into corporate strategy and operations. The achievement of genuine sustainable development demands that economic growth never proceed at the expense of human rights and environmental integrity.

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Competing Interest

The authors state that there is no conflict of interest in the publication of this article.

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