

## **Implementation of Corporate Social Responsibility at PT Adaro Energy Indonesia TBK**

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### **ABSTRACT**

Corporate Social Responsibility (CSR) or what is often known as Social and Environmental Responsibility (TJSL) is a form of company responsibility for its business activities. Where the company's operational activities certainly have positive and negative sides. Because in reality there are companies that still do not fully implement CSR, and it is even found that people do not trust these companies. This research aims to determine the extent to which PT Adaro Energy Indonesia Tbk (AEI) CSR implementation is carried out in accordance with applicable regulations and its impact on society and the surrounding environment. The research method used in this research is descriptive qualitative using sustainability report document data. The results of literature review observations based on Law Number 40 of 2007 and Government Regulation Number 47 of 2012, in the sustainability report AEI is considered to have implemented the CSR provisions. AEI's CSR which is implemented through the Turn on Change program includes Turn on Knowledge (education), Turn on Prosperity (community empowerment), Turn on Body (health), Turn on Culture (cultural preservation), and Turn on Sustainable (environment). AEI's CSR as a whole has also had a positive influence on society and the surrounding environment, such as in economic aspects, social aspects and environmental aspects.

Keywords: CSR, AEI, Law Number 40 of 2007, PP Number 47 of 2012

### **1. BACKGROUND OF THE PROBLEM**

Companies that are in the midst of society have positive and negative sides for the surrounding environment, where the positive side of a company is that it is able to meet the needs of the community and on the other hand, the company's operational activities have an impact on environmental pollution around it. To avoid this impact, follow-up is needed on all company operational activities that affect society or the environment.

Social responsibility or Corporate Social Responsibility (CSR) is an action that a company should take to reduce the negative impact of its business activities. The form of CSR is not only economic but also related with the environment and society. This responsibility reflects the company's awareness of the interests of other parties which are broader than just achieving the company's own interests. Because by implementing CSR, companies are considered to be able to provide benefits to the community and the surrounding environment so that their existence plays an important role in the country's economy.

This social responsibility has been regulated in Law no. 40 of 2007 which emphasizes that companies operating in the natural resources sector are obliged to carry out social and

environmental responsibilities. With this regulation, companies have begun to carry out various CSR activities in order to maintain the sustainability of their business. Through CSR implemented by a company, the public can know that the existence of the company is not a threat to them but rather provides benefits to those around them. This is also in line with Siregar (2021) who states that CSR can be used as a strategy to support society and the environment. So that the company can attract the interest of potential consumers or maintain its business image in the eyes of the public.

Companies in Indonesia have various business sectors, from the banking, agriculture, fisheries to mining sectors. One of the business sectors that plays a role in processing agricultural products in a country is the mining sector. Therefore, the mining sector plays a role in the economic progress of a country, so it is very important for countries to pay attention to mining activities in their country. Government-owned and private mining companies also implement CSR, one of the participating private mining companies is PT Adaro Energy Indonesia Tbk (AEI). Quoted from South Kalimantan, Antaranews stated that AEI won the Best Awards for Social Elements in the Bisnis Indonesia Corporate Social Responsibility Awards (BISRA), where this award was given as appreciation to companies that are committed to contributing to vulnerable communities and low-income communities.

Other research also conducted by Siregar (2021) concluded that the implementation of the CSR program by PT Inalum in Lubuk Cuik village was still not effective because it was not evenly distributed throughout the surrounding community. Further research by Baihaqi (2019) stated that PT Socfindo's CSR implementation had not yet achieved the human resource aspect and the surrounding community also showed a response of distrust, giving rise to many dynamics.

Based on the description above, the author wants to examine the implementation of CSR at AEI, where this research aims to find out and explain the extent to which the implementation of CSR or social responsibility carried out by PT Adaro Energy Indonesia Tbk for the 2021 period is in accordance with applicable regulations and how it affects society and surrounding environment.

## **2. LITERATURE REVIEW**

According to Disemadi et al. (2020) CSR is a company's responsibility to the environment and a sense of social care by providing protection and contributing to the company's operations to a wide audience. CSR itself is basically a need for corporations to be able to interact with local communities as a form of society as a whole. The corporate need to adapt and gain social benefits from its relationships with local communities, a social benefit in the form of trust. This is also related to corporate culture and business ethics that a corporate culture must have, because to implement CSR a culture is also needed that is based on adaptive ethics (p. 1-15). The following is the theoretical basis for social responsibility (Hadi, 2018, p. 88-96):

### **2.1 Legitimacy Theory**

Gray et al (1996) argue that legitimacy is a company management system that is oriented towards taking sides with society, government, individuals and community groups. For this reason, as a system that prioritizes support for society, company operations must be in accordance with society's expectations.

### **2.2 Stakeholder Theory**

Stakeholders are all parties, both internal and external, who have a relationship that either influences or is influenced, directly or indirectly, by the company. According to Hummels (1998)

explains that companies should pay attention to stakeholders, because they are the parties who influence and are influenced, both directly and indirectly, by the activities and policies taken and carried out by the company.

### **2.3 Social Contract Theory**

According to Deegan (2000), social contracts are built and developed, one of which is to explain the relationship between companies and society. Companies or other forms of organizations have an obligation to society to provide benefits to local communities. The company or organization's interaction with the community will always try to fulfill and comply with the rules and norms that apply in society (community norms), so that the company's activities can be seen as legitimate.

### **2.4 Implementation of CSR According to Legislative Regulations**

The Indonesian government is very aware of the meaning of being environmentally friendly and efforts to reduce global warming, so it has agreed to make regulations that are the basis for implementing corporate social and environmental responsibility, namely the issuance of Law No. 40 of 2007. Article 74 paragraph 1 of the Law. No. 40 of 2007 states that companies that carry out their business in the field of natural resources and fields related to natural resources are obliged to carry out social and environmental responsibilities (Hadi, 2018, p. 205).

Apart from that, another regulation that regulates the Social and Environmental Responsibility of Limited Liability Companies is Government Regulation Number 47 of 2012. This regulation emphasizes that social and environmental responsibility is a company obligation and if it is not implemented, as Article 7 states, sanctions will be imposed in accordance with the provisions. statutory regulations.

## **3. RESEARCH METHODS**

The research method used in this research is a qualitative descriptive method with the strategy used is a literature study in the form of a literature review from various economic, social and environmental aspects. The literature study was chosen because the researcher wanted to gain insight into an issue as support to help the researcher understand the implementation of PT Adaro Energy Indonesia Tbk's social responsibility. The limitations of this research are that it is based on the annual report and sustainability report of PT Adaro Energy Indonesia Tbk for the 2021 period and various related literature.

## **4. RESULTS AND DISCUSSION**

### **Implementation of AEI's CSR Implemented According to Applicable Provisions**

PT Adaro Energy Indonesia Tbk (AEI) is a leading mining and energy company in Indonesia which was founded on 26 August 2004 and became a Public Company on 16 July 2008. In its business operations, AEI participates in implementing CSR activities called the Turn on Change program. The Ignite Change program covers aspects of education, community empowerment, health, cultural preservation and the environment (sustainability report AEI 2023, p. 234). The following is the Turn on the Change program:

#### **a. Education (Ignite Science)**

The Adaro Turn on Knowledge program focuses on developing education and improving the quality of human resources by combining knowledge, skills and character education. Some of the Adaro Ignite Knowledge programs carried out include (sustainability report AEI 2023, p. 235-236):

- Indonesia Bright Future Leaders (IBFL)  
This program provides scholarships for talented, underprivileged students from around the Adaro Group's operational areas. This program also has an impact on the availability of local workers who have high competence, which suits the needs of the Adaro Group. In this way, students can advance their home regions and work to build careers in the Adaro Group.
- Adaro PAUD has character  
Adaro PAUD with Character is a CSR program that focuses on developing early childhood education (PAUD) in the company's operational areas. This program aims to build the nation's next generation with character and quality, through a Character-Based Holistic Education (PHBK) approach.

**b. Community Empowerment (Ignite Prosperity)**

Adaro Nyalakan Sejahtera is a CSR program that focuses on empowering communities in the company's operational areas. This program aims to increase people's independence and standard of living through various activities such as developing small and medium enterprises (UKM), skills training, and business capital assistance. Some of Adaro's Nyalakan Sejahtera programs carried out include (sustainability report AEI 2023, p. 236-238):

- Adaro Bina Insan Sejahtera  
This program is intended to have a positive impact on the community by helping them to become more independent, prosperous and able to contribute to regional development.
- Adaro Entrepreneurial Empowerment – MSME Development  
Adaro Wirausaha Berdaya (AWB) is a CSR program that focuses on community empowerment through entrepreneurship training and mentoring.
- Basic food assistance  
This program helps underprivileged communities, especially in the midst of a challenging economic situation. Basic food assistance will be implemented from June to December 2021.

**c. Health (Turn on the Body)**

This program focuses on increasing health access and health awareness for local communities. Through this, the Adaro Group also supports the government in improving public health in Indonesia. Some of the Adaro Ignite the Body programs carried out include (sustainability report AEI 2023, p. 238-240):

- Accelerated Program for Reducing Stunting Rates  
The focus of this program is on education and assistance to the community in the operational area, especially Kab. Tabalong, Kab. Balangan, Kab. South Barito, Kab. Murung Raya, Kab. Lahat. The Adaro Group, in collaboration with local governments, is trying to accelerate the stunting reduction program, collaborating with several non-governmental organizations that have experience in dealing with stunting.
- Clean Water and Sanitation  
This CSR program was launched in 2014 and is a program focused on providing access to clean water and proper sanitation for communities in the company's operational areas. This program aims to increase community access to clean, adequate water, improve the quality of sanitation and public health, prevent disease caused by poor water and sanitation, and improve the quality of life of the community.

Based on AEI's CSR implementation, to see the extent to which CSR implementation has been carried out according to applicable regulations. The applicable legal provisions include Law Number 40 of 2007 concerning Limited Liability Companies and Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies. Based on the applicable legal provisions of AEI's CSR implementation, they are as follows:

- 1) Law Number 40 of 2007 Article 1 paragraph 3 explains that social and environmental responsibility is the Company's commitment to participate in sustainable economic development. Based on this, companies are required to pay attention to their business activities in order to help revive the Indonesian economy and not just build the prosperity of their business. In this case, AEI shows its commitment to contributing to the benefits of its business activities through various programs as previously explained. This program consists of 5 pillars, namely Turn on Knowledge (education), Turn on Prosperity (community empowerment), Turn on Body (health), Turn on Culture (cultural preservation), and Turn on Sustainable (environment) which is called Turn on Change. Through these visible programs or activities, it is known that AEI is working to advance community welfare by improving the quality of human resources and the surrounding environment.
- 2) Law Number 40 of 2007 Article 74 paragraph 2 and PP Number 47 of 2012 Article 5 paragraphs 1 to paragraph 2 explain that social and environmental responsibility obligations are taken into account as components of company costs. The costs incurred by the company to carry out CSR activities are calculated as expenditure costs in the annual report. In this case, budget planning for CSR costs must pay attention to appropriateness and fairness. Based on AEI's 2021 sustainability report, AEI conveys the budget and realization for each CSR implementation. In 2021 AEI distributed funds of approximately IDR 127.3 billion for CSR activities which can be seen in the AEI 2023 sustainability report page 235 section Adaro Ignites Change.
- 3) Government Regulation Number 47 of 2012 Article 3 paragraph 2 explains that CSR must be carried out both inside and outside the company. Based on the AEI 2023 sustainability report which can be seen on pages 188 – 204, AEI adopted the standards of the International Labor Organization (ILO) Convention to ensure fair and ethical treatment such as gender equality, health insurance, leave rights, complaint services, and others. Thus, apart from implementing CSR in the external environment, AEI also implements CSR within its company.

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### **The Influence of AEI's CSR Implementation on Society**

Based on the theoretical basis of CSR, companies that in their business activities have a direct influence on society and the surrounding environment need to pay attention to the benefits for their surroundings. In this case, AEI also participates in carrying out various CSR activities which have an impact on several aspects of performance such as:

a. **Economic Aspects**

Coal has an important role in Indonesia's industry and economy, such as being the main energy source for Indonesia for generating electricity. To advance economic growth, AEI also contributes to creating a positive impact on society and the surrounding environment. One of AEI's contributions in the economic aspect is supporting Indonesia's green economic ecosystem by building an aluminum smelter, exploring opportunities in various environmentally friendly mineral products, developing a renewable energy business, and expanding the market for metallurgical coal. Where during 2021, AEI's metallurgical coal business contributed 17% of its total revenue.

b. **Social Aspects**

To provide a positive impact on the wider community, AEI consistently organizes a CSR program called the Ignite Change program. This program includes education, community empowerment, cultural preservation, health and the environment. Approximately IDR 127.3 billion in CSR funds were distributed throughout 2021. One of the health sector programs is a program to reduce stunting rates, where in 2021 the Adaro Group has reached 1,555 stunted children and 114 pregnant women with chronic energy deficiency (CED), and the results were that at the end of the year 989 children had achieved normal health status (based on anthropometric standards) and 100% of 114 pregnant women had given birth to babies with normal health conditions. Meanwhile in the education area, the flagship program is supporting improving the quality of education through the Indonesia Bright Future Leaders (IBFL) S1 scholarship program and the "Adaro PAUD with character" program which has reached 150 "PAUD" in the Adaro Group's operational areas. Apart from that, AEI also manages internal social aspects of the company such as health, safety and welfare guarantees. AEI also provides equal opportunities for men and women to have careers and reach the highest levels in the company.



c. Environmental Aspects

To support a healthy and conducive environment, AEI also supports climate risk management through the use of cleaner energy such as B35 fuel, to reduce GHG emissions and dependence on fossil fuels. In several locations, the Adaro Group has installed solar energy panels that produce up to 749,294 kWh/year, one of the largest in Indonesia. The Adaro Group also neutralizes mine water, which was previously B3 waste, into non-B3 waste by using Fly Ash Bottom Ash (FABA) in the process. This means that AEI uses a variety of the latest technologies to manage its business waste.

## 5. CONCLUSIONS AND RECOMMENDATIONS

Based on the problem formulation and the aim of this research, to determine the extent to which the implementation of CSR at PT Adaro Energy Tbk for the 2021 period is carried out in accordance with applicable regulations and how it affects society and the surrounding environment, AEI's sustainability report can be concluded:

1. The implementation of AEI's CSR has generally been implemented based on the applicable provisions in Law Number 40 of 2007 concerning Limited Liability Companies and Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Companies as its implementing regulations. AEI's CSR which is implemented through the Turn on Change program includes Turn on Knowledge (education), Turn on Prosperity (community empowerment), Turn on Body (health), Turn on Culture (cultural preservation), and Turn on Sustainable (environment).
2. AEI's overall CSR implementation has had a positive influence on the community and surrounding environment. This is realized in improving the quality of life of the community which includes various economic aspects, social aspects and environmental aspects.

As for suggestions from the author based on the research results, it is hoped that future researchers will be able to directly observe all CSR implementations carried out by AEI and add other provisions as good CSR guidelines.

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