

GOVERNMENT OF THE REGENCY OF GRESIK

REGIONAL REGULATION OF THE REGENCY OF GRESIK

NUMBER 23 OF 2012

ON

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

BY THE BLESSINGS OF ALMIGHTY GOD

THE REGENT OF GRESIK,

Considering: a. that efforts to realize the welfare and prosperity of the community and the sustainability of the environmental function in the Regency of Gresik are an integral part of the Regional Government administration of the Regency of Gresik;

b. that the efforts as referred to in letter a can be implemented well if there is a synergistic relationship between the Regional Government and business actors and the community;

c. that business actors, in addition to obtaining ease and protection in doing business, also need to be given a wider opportunity to participate in the socio-economic empowerment of the community and environmental preservation in all aspects;

d. that based on the considerations as referred to in letters a, b, and c, it is necessary to issue a Regional Regulation on Corporate Social and Environmental Responsibility;

Considering: 1. Article 18 section (6) of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 12 of 1950 on the Formation of Kabupaten (Regency) Regions within the Province of East Java, as amended by Law Number 2 of 1965 (State Gazette of the Republic of Indonesia of 1965 Number 19, Supplement to the State Gazette of the Republic of Indonesia Number 2730);

3. Law Number 5 of 1990 on the Conservation of Biological Natural Resources and Ecosystems

(State Gazette of the Republic of Indonesia of 1990 Number 49, Supplement to the State Gazette of the Republic of Indonesia Number 3491);

4. Law Number 19 of 2003 on State-Owned Enterprises (State Gazette of the Republic of Indonesia of 2003 Number 70, Supplement to the State Gazette of the Republic of Indonesia Number 4297);

5. Law Number 32 of 2004 on Regional Government (State Gazette of the Republic of Indonesia of 2004 Number 125, Supplement to the State Gazette of the Republic of Indonesia Number 4437), as amended twice by Law Number 12 of 2008 on the Second Amendment to Law Number 32 of 2004 on Regional Government (State Gazette of the Republic of Indonesia of 2008 Number 59, Supplement to the State Gazette of the Republic of Indonesia Number 4844);

6. Law Number 25 of 2007 on Investment (State Gazette of the Republic of Indonesia of 2007 Number 67, Supplement to the State Gazette of the Republic of Indonesia Number 4675);

7. Law Number 40 of 2007 on Limited Liability Companies (State Gazette of the Republic of Indonesia of 2007 Number 106, Supplement to the State Gazette of the Republic of Indonesia Number 4756);

8. Law Number 11 of 2009 on Social Welfare (State Gazette of the Republic of Indonesia of 2009 Number 12, Supplement to the State Gazette of the Republic of Indonesia Number 4967);

9. Law Number 32 of 2009 on Environmental Protection and Management (State Gazette of the Republic of Indonesia of 2009 Number 140, Supplement to the State Gazette of the Republic of Indonesia Number 5059);

10. Law Number 12 of 2011 on the Formation of Legislation (State Gazette of the Republic of Indonesia of 2011 Number 82, Supplement to the State Gazette of the Republic of Indonesia Number 5234);

11. Government Regulation Number 38 of 2007 on the Division of Government Affairs between the Central Government, Provincial Regional Governments, and Regency/Municipal Regional Governments (State Gazette of the Republic of Indonesia of 2007 Number 82, Supplement to the State Gazette of the Republic of Indonesia Number 4737);

12. Government Regulation Number 47 of 2012 on the Social and Environmental Responsibility of Limited Liability Companies (State Gazette of the Republic of Indonesia of 2012 Number 89, Supplement to the State Gazette of the Republic of Indonesia Number 5305);

13. Regulation of the Minister of Social Affairs Number: 50/HUK/2005 on Guidelines for the

Implementation of Cross-Sector and Business Cooperation;

14. Regulation of the Minister of SOEs Number: Per-05/MBU/2007 on the SOE Partnership Program with Small Businesses and the Environmental Development Program;

15. Regulation of the Minister of Home Affairs Number 53 of 2011 on the Formation of Regional Legal Products;

With Joint Agreement of

THE REGIONAL HOUSE OF REPRESENTATIVES OF REGENCY OF GRESIK

and

THE REGENT OF GRESIK

RESOLVE:

To Enact: REGIONAL REGULATION ON CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Regional Regulation:

1. Region means the Regency of Gresik.
2. Regent means the Regent of Gresik.
3. Regional Government means the Gresik Regency Government.
4. Regional House of Representatives, hereinafter referred to as DPRD, means the Regional House

of Representatives of the Regency of Gresik.

5. Corporate Social and Environmental Responsibility, or other terms already used by the company, hereinafter referred to as CSER, is the commitment of the Company to participate in sustainable development to improve the quality of life in the economic, social, and environmental realms that are beneficial, both for the Company itself, the local community, and the general public.

6. Company means a business organization, whether or not a legal entity, established based on an agreement, conducting business activities by accumulating capital, engaged in the production of goods and/or services aimed at obtaining profit, and its establishment is based on legislation.

7. Limited Liability Company, hereinafter referred to as Company, is a legal entity that is a capital partnership, established based on an agreement, conducts business activities with a paid-up capital that is entirely divided into shares and meets the requirements stipulated in this law and its implementing regulations.

8. Companies that are not legal entities are Partnerships (Fa), also called Vennootschap Onder Firma (VOF), Commanditaire Vennootschap (CV), and other business entities established based on an agreement, conducting business activities with capital that is the companys assets which are not separate from the founders or owners assets and its establishment is based on applicable legislation.

9. Stakeholder means all parties, both within and outside the Companys environment, who have direct or indirect interests that can influence or be influenced by the existence, activities, and behavior of the Company in question.

10. Target Area means industrial areas, residential areas, areas with any designation according to the provisions of legislation, both on land and at sea/water areas that are directly or indirectly affected by the existence of the company so that the environmental function is disrupted and experiences physical and non-physical damage.

11. CSER Implementing Forum is an organization or communication forum formed by several companies that implement CSER programs, with or without involving stakeholders as a forum for communication, consultation, and evaluation of CSER implementation as a forum for communication, coordination, and evaluation of CSER implementing companies.

CHAPTER II

INTENT AND PURPOSE

Intent and Purpose

Article 2

This Regional Regulation on CSER is intended to:

- a. provide legal certainty and protection for the implementation of corporate social and environmental responsibility programs in the Regency of Gresik; and
- b. provide guidance to all companies and all stakeholders in the Regency of Gresik in preparing themselves to meet international standards.

Article 3

The purpose of this Regional Regulation on CSER is to:

- a. provide a clear definition of corporate social and environmental responsibility and the parties involved;
- b. the implementation of coordination functions in the implementation of social responsibility in accordance with legislation;
- c. the realization of legal certainty and protection for business actors in the integrated and effective implementation of corporate social and environmental responsibility;
- d. protect companies from extortion carried out by unauthorized parties;
- e. minimize the negative impact of the companys existence and optimize the positive impact of the companys existence; and
- f. protect the sustainability of natural resources and the environmental function in the Regency of Gresik.

CHAPTER III

PRINCIPLES, PRINCIPLES, AND SCOPE

Section One

Principles

Article 4

The implementation of CSER is based on the principles of:

- a. legal certainty;
- b. public interest;
- c. togetherness;
- d. participatory and aspirational;
- e. openness;
- f. sustainability;
- g. environmentally conscious;
- h. independence; and
- i. balance of progress and national economic unity.

Section Two

Principles

Article 5

(1) The implementation of CSER uses the principles of:

- a. public awareness;
- b. concern;

- c. integration;
- d. compliance with laws and business ethics;
- e. sensitivity;
- f. partiality;
- g. partnership;
- h. initiation;
- i. mutualistic, and non-discrimination; and
- j. coordination.

(2) The principles as referred to in section (1) are implemented, guided by:

- a. sound management;
- b. professional;
- c. transparent;
- d. accountability;
- e. creative and innovative;
- f. measurable;
- g. continuous improvement program; and
- h. fair.

Section Three

Scope

Article 6

(1) The scope of CSER includes financing assistance for the implementation of social welfare, compensation for rehabilitation and/or improvement of environmental functions, and encouraging quality-based grassroots economic growth in line with the Regional Governments programs.

(2) The scope as referred to in section (1) applies to areas that directly or indirectly receive the

impact of the companys operational activities.

Article 7

(1) The financing of social welfare, rehabilitation and/or improvement of environmental functions, and encouraging quality-based grassroots economic growth as referred to in Article 6 section (1) is allocated from a portion of net profit after tax or allocated from other budget items determined by the company.

(2) Companies that carry out their business activities in the field and/or related to natural resources are required to implement CSER with costs that are budgeted and accounted for as company costs, taking into account business size, stakeholder scope, and financial performance.

Article 8

(1) Villages or sub-districts in whose area there are no companies or companies exist can submit proposals for CSER programs to the company or CSER implementing forum in order to receive a share of the CSER program.

(2) The Regent follows up on the proposal as referred to in section (1) through coordination with the company and/or CSER implementer.

CHAPTER IV

BENEFITS

Article 9

The benefits of CSER are:

- a. for the company, CSER is beneficial as a manifestation of public accountability, for image building, trust, harmonious social relations, and the sustainability of company investment;
- b. for the community, CSER is beneficial in helping to improve community welfare, comfort, and environmental sustainability, and reducing socio-economic disparities; and
- c. for the Regional Government, CSER is beneficial in fostering a shared commitment in helping to accelerate the achievement of community welfare.

CHAPTER V

IMPLEMENTATION OF CSER

Article 10

(1) CSER implementers consist of:

- a. companies with legal entity status, namely Limited Liability Companies;
- b. companies with non-legal entity status, namely Partnerships and Limited Partnerships; and
- c. sole proprietorships.

(2) Companies as referred to in section (1) letter a have central, branch, or implementing unit status located in the Regional area.

(3) Sole proprietorships as referred to in section (1) letter c that carry out businesses in the field and/or directly related to natural resources and/or the environment, or companies and businesses whose business size, stakeholder scope, and business sector have equivalence with limited liability companies that have implemented CSER in the Regional area.

(4) CSER implementing companies are not distinguished between private, state-owned, and/or regional government-owned companies, whether producing goods or services.

Article 11

(1) Companies as referred to in Article 10 section (1) letters a, b, and c that carry out their business activities in the field and/or related to natural resources are required to implement CSER.

(2) The obligation as referred to in section (1) is carried out both within and outside the companys environment.

Article 12

(1) CSER as referred to in Article 11 is implemented by the Board of Directors based on the companys annual work plan after obtaining approval from the Board of Commissioners or the General Meeting of Shareholders for legal entities, or with other mechanisms in decision-making for non-legal entities in accordance with the companys articles of association.

(2) The companys annual work plan as referred to in section (1) contains the work plan and budget required to implement CSER.

(3) In preparing and determining the work plan and budget as referred to in section (2), propriety and reasonableness must be considered.

(4) The realization of the budget for the implementation of CSER as referred to in section (2) is calculated as a company cost.

Article 13

In implementing CSER, companies are obliged to:

a. prepare, arrange, design, and implement CSER activities in accordance with the principles of corporate social and environmental responsibility, taking into account regional government policies

and legislation;

b. foster, strengthen, and develop a networking and partnership system with other parties and carry out studies, monitoring, and evaluation of CSER implementation, taking into account the interests of the company, regional government, community, and environmental sustainability; and

c. stipulate that CSER is an inseparable part of management policies and company development programs.

CHAPTER VI

CSER PROGRAMS

Article 14

(1) CSER programs include:

a. social and environmental development;

b. partnerships with micro, small, medium enterprises and cooperatives; and

c. direct assistance to the community.

(2) The programs as referred to in section (1) are planned and developed to improve social welfare, increase the economic strength of the community, strengthen the continuity of business for business actors, and maintain environmental functions sustainably.

Article 15

The social and environmental development program as referred to in Article 14 section (1) letter a is a program aimed at maintaining environmental functions and management and providing direct assistance to the community in the target area, including physical environmental development, social environmental development, and micro, small, medium enterprise and cooperative environmental development sustainably.

Article 16

(1) The partnership program for micro, small, medium enterprises and cooperatives as referred to in Article 14 section (1) letter b is a program to foster, improve, and develop the independence of community businesses based on studies of the community's capabilities and needs in the target area.

(2) The partnership program as referred to in section (1) includes several aspects of activities.

- a. research on community needs;
- b. strengthening of community socio-economic institutions;
- c. entrepreneurship training and mentoring;
- d. training in management functions and financial governance;
- e. business development training such as product quality improvement, design, packaging, marketing, networking, and company classification improvement;
- f. improving management capabilities and productivity; and
- g. encouraging the growth of innovation and creativity.

Article 17

Programs directly aimed at the community as referred to in Article 14 section (1) letter c can be:

- a. grants, which can be given by the company to anyone in need, the amount of which is adjusted to the current conditions;
- b. awards in the form of scholarships to employees or community members who have academic abilities but are unable to finance their education;
- c. subsidies, in the form of providing financing for community development projects, the provision of public facilities, or small and medium-scale business capital assistance;
- d. social assistance, in the form of assistance in the form of money, goods, or services to

social/elderly care facilities, disaster victims, and people with social welfare problems (PMKS);

e. social services, in the form of education, health, sports services, and social worker allowances;

and

f. social protection, in the form of providing job opportunities for national/regional athletes who have retired and for people with disabilities who have special abilities.

Article 18

(1) Several companies can form a CSER implementing forum so that CSER programs are planned in an integrated, harmonious, and efficient manner.

(2) The Regional Government can facilitate the formation of a forum in the implementation of CSER.

(3) CSER implementing forums that have been formed before the issuance of this Regional Regulation can continue to operate by making adjustments.

(4) The formation of a CSER implementing forum as referred to in section (1) is reported to the Regional Government.

Article 19

(1) The Regional Government submits priority programs as material in the planning of CSER programs to the CSER implementing forum.

(2) The CSER implementing forum as referred to in section (1) is obliged to submit the plan, implementation, and evaluation of CSER from each member company to the Regional Government.

(3) The Regional Government as referred to in section (2) submits a report on the implementation of CSER annually to the DPRD.

Article 20

In preparing the CSER program planning as referred to in Article 19 section (1), the Company must involve the community.

CHAPTER VII

GUIDANCE AND SUPERVISION

Article 21

The Regent provides guidance in the implementation of the CSER Program.

Article 22

(1) The Regent supervises the implementation of the CSER Program by forming a Supervisory Team.

(2) The supervisory team as referred to in section (1) is the Regional Secretary assisted by members from the relevant Regional Work Unit related to CSER.

(3) The composition of the membership and duties of the Supervisory Team as referred to in section (1) are further regulated by the Regents Regulation.

CHAPTER VIII

AWARDS

Article 23

(1) The Regional Government gives awards to companies that have implemented CSER.

(2) The form of awards, assessment procedures, nominations, and determination of companies entitled to receive awards are further regulated by the Regents Regulation.

CHAPTER IX

DISPUTE SETTLEMENT

Article 24

(1) Dispute resolution of CSER at the first stage is sought based on the principles of deliberation and consensus.

(2) If the dispute resolution as referred to in section (1) is not achieved, the parties can pursue out-of-court dispute resolution or through the courts.

CHAPTER X

SANCTIONS

Article 25

(1) Companies that do not comply with the provisions in Article 7 section (2), Article 11, Article 13, and Article 19 section (2) are subject to administrative sanctions.

(2) The administrative sanctions as referred to in section (1) are:

a. Written warning

b. License suspension; and/or

c. License revocation.

(3) The procedure for imposing administrative sanctions as referred to in section (2) is further regulated by the Regents Regulation.

Article 26

The administrative sanctions as referred to in Article 25 do not eliminate other legal claims regulated in legislation as long as it can be proven that a violation has occurred, whether intentionally or unintentionally, by the company.

CHAPTER XI

FINAL PROVISIONS

Article 27

The Regents Regulation as an implementation of this Regional Regulation is enacted no later than 6 (six) months after this Regional Regulation is enacted.

Article 28

This Regional Regulation shall come into effect on the date of its enactment.

In order for everyone to know this, order the enactment of this Regional Regulation by placing it in the Regional Gazette of the Regency of Gresik.

Enacted in Gresik

on the date of?

THE REGENT OF GRESIK,

(Signature)

Dr. Ir. H. SAMBARI HALIM RADIANTO, ST., M.Si

Enacted in Gresik

on the date of?

SECRETARY OF REGENCY OF GRESIK,

(Signature)

Ir. MOCH. NADJIB, MM

Senior Maintainer

NIP. 19551017 198303 1 005

REGIONAL GAZETTE OF THE REGENCY OF GRESIK YEAR 2012 NUMBER 23

EXPLANATION OF THE REGIONAL REGULATION OF REGENCY OF GRESIK

NUMBER 23 OF 2012

ON

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

I. GENERAL

Article 15 of Law Number 26 of 2007 on Investment states that every investor in Indonesia is obliged to carry out corporate social responsibility, respect the cultural traditions of the community around the location of investment business activities, and comply with all provisions of legislation. This provision does not limit the type of company that invests its capital. Thus, it can be concluded that corporate social responsibility is directed at all investors. Then, more firmly stated in Article 74 of Law Number 40 of 2007 on Limited Liability Companies, it contains provisions that companies that conduct business activities in the field and/or related to natural resources are obliged to implement social and environmental responsibility by allocating funds calculated as company costs, the implementation of which is carried out with due regard to propriety and obligations. This provision is then further regulated in Government Regulation Number 47 of 2012, which stipulates that every limited liability company whose business field is related to natural resources is obliged to implement corporate social and environmental responsibility (CSER).

Corporate Social and Environmental Responsibility (CSER) is a concept whereby companies decide to contribute to society so that their lives become better, and environmental conditions remain maintained and their functions are not damaged. Indonesia is currently seeking a concept of these values through the adoption of various global and local thoughts to encourage companies to recognize and implement principles of responsibility towards social and environmental conditions in a programmed manner, referring to the CSER concept as part of the company's identity. There are several factors that influence management to give more consideration to the implementation of CSER, including:

- a. New concerns and expectations from the community, consumers, government, and investors in the context of globalization and changes in the behavior of company environmental elements (business environment)
- b. Increasing social criteria, thus influencing individual and institutional investment decisions, both as consumers and investors.
- c. Showing awareness of environmental damage caused by economic activity.
- d. Transparency of business activities brought about by modern media and information and communication technology.

In conducting their business, companies not only have economic and legal obligations, but also ethical obligations. Business ethics are behavioral guidelines for the business world to be able to distinguish between what is good and what is not good, what is allowed and what is not allowed to be done by the business community. Concern for the surrounding community and the environment, including natural resources, can be interpreted very broadly. However, it can be briefly understood as increasing participation and placing the company organization within a social community through various efforts for mutual well-being for the company, community, and environment around it.

Awareness of the importance of CSER has become a global trend along with the increasing prevalence of stakeholder prioritization. CSER, in addition to being a manifestation of the application of good corporate governance principles, is also related to supporting the achievement of the Millennium Development Goals (MDGs), one of which is the reduction of poverty rates each year. CSER is also beneficial as a manifestation of public accountability, building and strengthening image, trust, social security, strengthening investment, and company sustainability.

For the community, CSER is beneficial for the protection and welfare of the community in the socio-economic dimension, environmental comfort, and reducing inequality and isolation. For the government, the implementation of CSER is beneficial in fostering a shared commitment and synchronization of government programs with the private sector so that they can be implemented systematically and sustainably in order to accelerate development.

CSER is a process by which companies manage relationships with a variety of stakeholders that can have a real impact on the social license for their operations in an area. As an implementation standard, for example, the principles of Corporate Social Responsibility and the United Nations Global Compact can be referred to, with reference to Social Responsibility and ISO 26000 formulated by the International Organization for Standardization (ISO) in September 2004, which is named Guidance Standard On Social Responsibility. To assess the implementation of CSER in a sustainable report, there are three types of disclosure standards based on the Global Reporting Initiative (GRI), namely (1) CSER Strategy and Profile, (2) Management Approach, and (3)

implementation indicators. Each standard has a reference in disclosing CSER and the environment in a sustainability report.

This Regional Regulation is an implementation of national and international provisions/standards as mentioned above at the local level in the Regency of Gresik. With the formation of this Regional Regulation, companies investing their capital in the Regency of Gresik are encouraged to pay attention to the social and environmental conditions around them through the implementation of CSER programs. To ensure the effectiveness of the CSER program, the Regional Government is given the task and authority to provide guidance to all parties related to the implementation of the CSER program in the Regency of Gresik. In addition, the Gresik Regency Government also provides awards to companies that have sincerely implemented the CSER program. Meanwhile, companies that neglect their CSER obligations are subject to administrative sanctions in accordance with applicable legislation.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

International Standards according to ISO 26000 include, among others:

1. Good Organizational Governance;
2. Human Rights;
3. Good Employment Practices;
4. Environment;
5. Sound Company Operational Practices;
6. Consumer Issues (protection);
7. Community Involvement;

While according to SA 8000, international standards include:

1. Operating Legally;
2. Implementing good business ethics;
3. Good Corporate Governance;
4. Good Corporate Citizenship;
5. Social Relationships;
6. Voluntary-Mandatory Standards

Article 3

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Section (1)

Financing assistance means a sum of money that has been budgeted by management voluntarily but is programmed for CSER. This money is not a flow of charitable funds or philanthropic funds. Compensation in this section does not mean legal accountability in the field of environmental law as regulated in the Environmental Law, but is a replacement for losses caused by the establishment of physical structures and company operations.

Section (2)

Sufficiently clear.

Article 7

Section (1)

The CSER budget allocation is determined by the authority within the company, which cannot be

interfered with by the government. However, it remains within the framework of applicable legislation.

Section (2)

Companies that directly manage natural resources means companies whose business activities manage and utilize natural resources.

Companies related/indirectly related to natural resources are companies that do not manage and do not utilize natural resources, but whose business activities have an impact on the function and capacity of natural resources.

Article 8

Sufficiently clear.

Article 9

Sufficiently clear.

Article 10

Equivalence is?.

Article 11

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Section (1)

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

The purpose of reporting the formation of the forum to the local regional government is to facilitate and smooth the administrative coordination function of the regional government.

Article 19

Section (1)

Priority programs from the regional government can be used as considerations for companies in planning CSER implementation so that harmony between regional government efforts and private sector activities occurs in the field.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Sufficiently clear.

Article 24

Sufficiently clear.

Article 25

Sufficiently clear.

Article 26

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.