

FAMILY BUSINESS' COMPETITIVE ADVANTAGE THROUGH ESG STRATEGY

2

Introducing "Family Business' Competitive Advantage Through ESG Strategy," a book that looks at how family businesses may use Environmental, Social, and Governance (ESG) principles to survive in today's ever-changing business market. The editorial board are academics who specialize in the particular dynamics of family businesses and ESG, is a must-read for any family-owned firm wishing to ensure its future and make a positive effect on the world. This book features four companies: PT Lautan Luas Tbk, PT Samudra Indonesia, PT Paragon, and PT Medco. These case studies will help readers understand ESG strategy and its importance in modern company. The authors dive into the practical implications of incorporating ESG concepts into family companies, offering case studies, best practices, and recommendations.

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2



Editors: Dr. Ir. Amelia Naim Indrajaya MBA

Dr. Achmad Daniri, MM

B. Agus Finardi, SE, MA

Family Business' Competitive Advantage through ESG Strategy 2

*Community Engagement Service of IPMI's MBA students
in the field of Family Business and Good Corporate Governance*

**EDITOR: AMELIA NAIM INDRAJAYA &
MAS ACHMAD DANIRI & AGUS FINARDI**

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Editor:

Amelia Naim Indrajaya and Mas Achmad Daniri

Cover Designer:

Ahmad Setia

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Ayom Bening

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Dedication

For a successful MBA program, action based, and experiential learning is a must to get the greatest exposure. Every MBA subject in IPMI International Business School should be highly implementable and ready to support real businesses. This book is the IPMI MBA school's dedication to all the business players supporting ESG and CSV practices in Indonesia

ESG investment



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EDITOR'S NOTE

Environmental, social, and corporate governance (ESG) is a framework designed to be integrated into an organization's strategy to create a corporate value by expanding the organizational objectives to include the identification, assessment and management of sustainability-related risks and opportunities in respect to all organizational stakeholders (including but not limited to customers, suppliers and employees) and the environment.

1. Environmental aspect: focuses on preserving the natural world. Examples of topics addressed include global warming, biodiversity, deforestation, energy efficiency, water management, climate change.
2. Social aspect: focuses on people and relationships include working to support gender equality, diversity, inclusion, improve employee engagement and other social related subjects.
3. Governance aspect: focuses on moving beyond how organizations have been typically governed in the past and enhance corporate governance Examples of specific topics include board composition, cybersecurity

practices, whistle blowing practices, preventing bribery and corruption.

According to the Freedom of Learning and Freedom Campus concept (Merdeka Belajar Kampus Merdeka = MBKM) supported by the Minister of Research and Higher Education, the Indonesian campus should embrace the corporation and the community and become the change agent for sustainability development. In accordance with the MBKM concept our MBA students are implementing their Good Corporate Governance subject in an action based experiential learning journey through the implementation of the CSV (Creating Shared Values) approach. The CSV approach becomes a strategy to develop the companies' CSR (Corporate Social Responsibility) into a mutually beneficial Win-Win approach. In development this CSV approach can also help companies to implement ESG (Environmental, Social and Corporate Governance) and GRC (Governance, Risk and Compliance).

Four corporations had given their commitment to be their discussion partners for the process. The corporations are Sriboga, Kalbe, Humpuss Intermoda Transportation, and Medco Energi. Under the supervision of Bapak Achmad Daniri and the GCG Faculty Amelia Naim, the students are empowering their

corporate partners through a contribution toward supporting the company's sustainability by implementing the ESG approach.

The Integral Aspect

The chosen subject is the application and contextualization of the theory of creating shared value (CSV) in industry and society. Why is the CSV strategic for sustainable organization? It is because in the real world it is often found that many parties impose their will and interests without considering the interests of other stakeholders. These potentially could cause conflict of human interest.

We have found through our previous consulting work that with the CSV approach, companies can develop their competitive advantage. As we have heard from Erna Witoelar (the Counselor of KEHATI Foundation, former Minister of Environment, Republic of Indonesia), the original founder Michael Porter had shared the technique of CSV, but through the real implementation of Creating Shared Values for Multi Stakeholder's approach (Daniri, 2021), readers can understand more thoroughly how to develop their competitive advantage through CSV approach. This book further showcases the process of implementing CSV in a real corporation case study.

Humanly, the interest of an individual, as a social being, is highly dependent on many related parties. In other words, cooperation and collaboration have become the needs of the community, groups, companies, and have even become the attention of every individual in the society.

CSV is one of the techniques to get full support from stakeholders. It is necessary to start by incorporating the interests of each stakeholder into the goals of the organization. In this book the authors supported by the students are helping to discover and propose to each company how they could create the shared values. The steps will be described in the first part of this Editorial Notes.

First, we need to identify the interests or needs of each stakeholder related to the organization's activities, before compiling a work program. In preparing the work program, it is necessary to involve stakeholders so that the interests of the organization and stakeholders are accommodated in the program.

Organizations need to know the interests of each stakeholder both internally and externally. This should be done by recognizing the needs of each stakeholder and conditioning them to obtain maximum benefits. This is arranged in an integrated way to achieve goals effectively and efficiently, while on the other hand the needs of each stakeholder can be met so that

the organization gets full support from all stakeholders including the society.

After the organization successfully understands the interests of each stakeholder, the companies should start to relate this interest to the achievement of organizational goals. So, the next step is to formulate business activities and Corporate Social Responsibility that are mutually beneficial (win-win) by prioritizing the fulfillment of stakeholder needs.

There are several types of CSR. Some are only in the form of donation / philanthropic gestures to gain social license from the community. But the strongest type of CSR is developed by radically innovating the business model embracing the SDGs and the Social/Environmental issues faced by the stakeholders which is implemented through the CSV approach.

In a simple word, if the companies are implementing CSR strategies which are not in line with the company's business strategy and cannot be embedded as part of the business model of the company, then the company will only gain philanthropic benefit, at the least only getting a social license to support the organization's operations. But the more the CSR is using the CSV approach, and the strategy is embedded within the business model, then the more it will be part of the strategic competitive advantage of the company.

The Importance of CSV approach in Supporting Sustainability

It is obvious to see that CSR through the CSV approach is resulting in a win-win approach which is beneficial both to the company and the stakeholders. The impact can then be measured on both sides. In the micro point of view, it is in the form of a benefit to the company. In addition, it could also be seen from the macro point of view, in terms of the benefit to the community, to the country and the world. This could be seen as the contribution to supporting the Sustainable Development Goals of the United Nations.

One of the tools to measure the impact is SROI (Sustainability Social Return on Investment). This SROI seeks to develop a way to estimate the impact of a company's policy toward supporting sustainability. SROI is giving the understanding of the concept, and stresses upon the importance that a SROI ratio holds in the context of businesses especially for the one who is committed to support the SDGs of the United Nations. The SROI will be a good measure to analyze the contribution of the company towards Sustainable Development Goals of the United Nations. This SROI will be discussed more in detail in a separate book.

IPMI as a higher education institution has a vision to develop future entrepreneurs and business leaders. These future game changers play an important role to promote the Global Goals of the United Nations as the common objectives to be achieved in 2030. The Center for Sustainability Mindset and Social Responsibility (CSMSR) of IPMI International Business School was developed in 2015 and was formally established in 2018, supporting the positioning of IPMI as an educational institution producing transformational entrepreneurs and leaders in working for a better world.

The CSMSR is in accordance with IPMI's value and vision by linking research, academic offers, and community outreach with the United Nations Global Compact 17 Sustainable Development Goals of the United Nations. This endeavor is highly related to this purpose. Through this experiential learning students have ample time to implement their knowledge on Creating Shared Values to their partnering companies.

The Link to Environment, Social and Governance.

In addition to supporting the Sustainable Development Goals of the United Nations, the company also must implement the ESG concept (Environmental, Social, Corporate Governance). This CSV approach is a good tool to implement the

ESG concept. The objective is to achieve the organization targets related to the Environment, Social and Good Corporate Governance concept.

Nowadays, the investment decision is influenced by the ESG concept. The company who failed to show high indicators to the ESG value, will not be showcased as a highly prospective investment. The investors are showing awareness and commitments by their tendency to invest in green and sustainable companies. This is based on the facts that sustainable and green companies are supported by all the stakeholders and they tend to be more profitable in the long run (Daniri, 2020; Indraajaya, 2017, Indraajaya, 2018, Indraajaya, Daryanto and Sjahrifa, 2019, Indraajaya and Rimanoczy, 2021).

Four companies were chosen as the counterparts to implement this CSV approach. Each group of students work hand in hand with the local champions of each company. Primary data was collected through a direct participatory approach with the local champions from each company. The counterparts were engaged in a team-work collaboration to come up with a workable recommendation.

The recommendation for each company was presented through a live zoom session which has become a necessity in this COVID era. The groups has the liberty to invite their counterparts

and present their participatory community engagement process. The groups has the options to it through zoom or meet in person with their counterparts. This is to promote the importance of Good Corporate Governance as well as to introduce the CSV tool as a strategy to increase competitive advantages. During the webinar session and/or the meetings, participants were actively engaged and showed a high interest to the subject.

This model of collaboration is also a form of community engagement. The objective is to promote the idea of Business as an Agent for World Benefit, where businesses can do well by doing good.



Figure 1

(Environmental, Social and Governance)

Source: Sustainability Academy The power of ESG

Each group of students presented their proposal of CSV to be implemented in the company. Through the webinar, we could see the evidence of positive feedback from the counterparts, as the partners eagerly welcome the recommendations to be implemented in their respective companies.

The limitation of the study comes from the limited time available for working with the counterpart / target business. Future classes could choose to work on the continuation of the program to maintain the sustainability of the program.

Being a business school, students are encouraged to focus more into the practical implication's aspects. This final work of book publication has finally accomplished the target to evaluate the students based on their ability to implement the learning experience in the form of practical implication to a real business entity.

The Content of This Book

In the first chapter Fransisca Octaviani, Joshua Nurdjalim, Ricardo Aldo Pardede, Tommy Yudhistira, Markov Cornelius Kelvin are working hand in hand with PT Lautan Luas Tbk. PT Lautan Luas Tbk is always committed to implementing Good Corporate Governance (“GCG”) in all parts of the Company’s organizational structure.

In the second chapter Refoputra Riyadi, Samantha Easterina, Mario Elfando, Jihye Park, Ryu Sunhyeon are proposing the value implemented by PT Samudera Indonesia approach. The students came up with an analysis of the company in implementing the CSR approach.

The third chapter is dedicated to Humpuss Intermoda Transportation Indonesia. The students Alvan, Della, Desfika, Satrio, Troy are presenting the ESG approach of Humpuss Intermoda Transportation Indonesia.

The fourth chapter is the Medco Energi case study. Adinda, Andaru, Fadhli, Magiana Sinaga and Poetry Ken are presenting their observations on the Medco Energi journey in implementing the Environment, Social and Governance program. Medco Energi is giving a solution for sustainable energy practices.

The Pandemic situation has highly impacted Higher Education in Indonesia and campuses in the whole wide world. One of the toughest challenges is how to develop the best way to evaluate the learning process of students during their learning process in the campus. The traditional way of checking the student's ability through a written exam is no longer fulfilling in this Pandemic era. One touch of Google will give the students a full range of answers. As opposed to the traditional method, this

community engagement activity provides the students the opportunity to work directly with the business world, hence the evaluation process is done through the Community Engagement Service. The experience itself is rewarding and is giving a great impact both to the society and the organizations and to the students as well.

In the process, the students become consultants with real assignments for real companies, where they can implement their knowledge and skill in the most inspiring and motivating way for a better future of Indonesia, specifically the businesses that they are collaborating with.

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CHAPTER ONE

A Case Study of PT Lautan Luas Tbk.

*Fransisca Octaviani, Joshua Nurdjalim, Tommy Yudhistira,
Ricardo Aldo Pardede, Markov Cornelius Kelvin
Sekolah Tinggi Manajemen IPMI*

ABSTRACT

PT Lautan Luas, an esteemed Indonesian entity, has for over seven decades, pioneered the distribution and manufacturing of essential and specialized industrial chemicals. Founded in 1951 as a partnership, it evolved into a publicly traded corporation with a resolute vision of a better world through sustainable growth and innovation.

With roots in the batik and food industries, PT Lautan Luas emerged as a reliable partner for over 2,000 industrial customers in the Asia-Pacific region. Its network spans 4 branch

offices, 5 representative offices, and 1 regional office, supported by 12 manufacturing facilities across Indonesia and Asia.

This family-owned business intricately weaves family values with professionalism, where family members hold key positions while professional managers guide operational execution. Such integration fosters an environment of collaborative decision-making, spurring growth while maintaining strong community ties.

Amidst a dynamic business landscape, PT Lautan Luas champions sustainability through its comprehensive Sustainability Strategy. Governed by the Sustainability Council Board, it aligns with national SDGs, ranging from poverty alleviation and gender equality to responsible consumption and climate action. The company's proactive approach, recognized through various awards, underscores its dedication to eco-friendly practices and community enrichment.

Despite challenges posed by the ongoing pandemic and economic fluctuations, PT Lautan Luas remains committed to its enduring mission. By embracing innovation, fostering collaboration, and adhering to rigorous ethical standards, it exemplifies how a family-owned enterprise can lead by example,

leaving a lasting legacy of positive impact and sustainable development growth.

Keywords: *Sustainable Development Growth, Industrial Chemicals, Family Business, Innovation and Collaboration, Good Corporate Governance*

Introduction

Company Profile

PT Lautan Luas is a distinguished Indonesian company that specializes in the distribution and manufacturing of basic and specialty industrial chemicals. Starting out as an importer and distributor of basic chemicals for the batik and food industries in Indonesia, PT Lautan Luas was established on July 13, 1951, as a partnership named "Persekutuan Andil Maskapai Dagang dan Industri Lim Teck Lee" (Indonesia), or NV Lim Teck Lee (Indonesia) Coy. Ltd. It later changed its name to PT Lautan Luas in 1965 and subsequently went public, becoming a publicly traded company listed on the Indonesia Stock Exchange (BEI) on June 18, 1997, with the stock code "LTLS."

Over the course of 70 years, PT Lautan Luas has emerged as a provider of quality products and services in the field of basic and specialty chemicals in Indonesia.

At present, PT Lautan Luas represents over 100 international principals, distributing more than 1,000 chemical products, and serving over 2,000 industrial customers across Indonesia and the Asia-Pacific region.

PT Lautan Luas' operational network is currently supported by its headquarters in Jakarta, 4 branch offices, and 5 representative offices spread across various major cities in Indonesia. Additionally, there is 1 regional office in Singapore that oversees the company's operations in China, Thailand, and Vietnam. The company operates 12 manufacturing facilities in Indonesia, 2 in China, and 1 chemical processing facility for water treatment in Vietnam.

Supporting services and business operations of PT Lautan Luas are managed by its 3 subsidiaries and 1 affiliated company, which engage in laboratory services, supply chain management, information technology, and water processing solutions.

While upholding the trust of customers, PT Lautan Luas Tbk will continue to develop strategies to adapt to the needs of Indonesia, all customers, and the community in the future, maintaining the tradition of striving for excellence in all activities.

Company History

In 1951, the company was founded under the name NV Lim Teck Lee (Indonesia) Coy. Ltd. In 1965, the company

changed its name to PT Lautan Luas. In 1969, it established the first private sulfuric acid manufacturing facility in Indonesia.

By 1970, PT Lautan Luas was continuously targeting sustainable investment opportunities in the domestic and regional markets to develop the manufacturing sector with value-added benefits.

In 1997, the company made its initial public offering on the Indonesia Stock Exchange with 1,560,000,000 shares listed.

In 1999, the company expanded into the regional market by establishing a subsidiary in Singapore. In 2001, the company spun off its logistics division into LINC Group, an independent subsidiary and profit center. In 2003, it established its first internationally recognized manufacturing facility in China, which later expanded to two plants.

In 2005, the company opened a regional office in Bangkok, Thailand. In 2007, it established a regional office in Shanghai, China. In 2008, the company built a manufacturing facility in Ho Chi Minh City, Vietnam.

In 2010, PT Lautan Luas developed CSR programs in housing, water management, education, and disaster recovery. It entered the food and beverage industry through the establishment of PT Lautan Natural Krimerindo.

In 2013, the company implemented an ERP program to enhance its information technology and operational efficiency. In 2016, it was appointed as the organizer and manager of a bonded logistics center (PLB) with a strong track record and an Authorized Economic Operator (AEO) certificate.

In 2017, PT Lautan Luas obtained ISO 9001:2015 certification for quality management, ISO 14001:2015 for Environmental Management System, and OHSAS 18001:2007 for Occupational Health and Safety System.

In 2018, the company merged its subsidiary, PT Pacinesia Chemical Industry, along with its subsidiaries. In 2019, it merged its subsidiary PT Dunia Kimia Jaya with PT Advance Stabilindo Indonesia. Moving forward, the company will continue to target sustainable investment opportunities in the domestic and regional markets to develop the manufacturing sector with value-added benefits, particularly in the fields of food, personal care, agriculture, and water management.

Family Business

PT Lautan Luas Tbk's family business aspect is evident through its organizational structure and commitment to

sustainable practices. While it maintains a strong family influence, it has embraced professionalism and governance to ensure the seamless integration of family values and corporate operations.

The company's website reflects a clear organizational hierarchy, where family members are involved in top-level positions. However, an emphasis on professionalism is visible as operational execution is led by non-family professionals in managerial roles. This segregation demonstrates a conscious effort to ensure effective decision-making and performance based on expertise.

In terms of ownership, the family's shares are distributed among different family members, allowing for a diversified family ownership structure. This structure extends into the holding company, where ownership and decision-making are likely more centralized, creating a buffer between family interests and company operations.

The relationship between family and professional management is characterized by mutual respect and understanding. While differences in opinions might arise, there is a culture of collaborative decision-making where the expertise of professional directors is valued. This fosters an environment

where strategic decisions are well-informed and balanced, contributing to the company's success.

Vision

A Better World – through What We Do

Mission

Corporate Mission

Inspired by Sustainability, Innovation and People, we joyously work with Passion, Heart and Drive to deliver our best by never giving up or accepting mediocre results.

LTLS Values

L - Leading with Integrity and High Ethical Standards

T - Transforming Our Established Processes Through Entrepreneurship

L - Leaning Enthusiastically into Collaboration and Teamwork

S - Seeking Solutions to Preserve the Planet for Future Generations

Methods

This chapter outlines the process by which researchers collect the essential data or information required for the assignment. The research will employ the following methods:

1. Data Collection:

Before engaging in Exploratory Interview Discussions, we initiated the data collection phase. During this stage, we gathered relevant documents and information about PT Lautan Luas. This included reviewing historical records, annual reports, public documents, and any available literature related to the company. This preparatory step ensured that we had a comprehensive understanding of the company's background, operations, and key performance indicators. Data collection was instrumental in formulating informed interview questions and setting the context for our discussions.

2. Exploratory Interview Discussions:

In this method, we conducted interviews with the representative BOD associated with PT Lautan

Luas to gain deeper insights into the company. Our aim was to understand how PT Lautan Luas intricately blended family values with professional management in running the business. We also explored their strategies for sustainable growth, their views on innovation and collaboration, and how they upheld rigorous ethical standards.

3. Observation through the Company Annual Report:

In this method, we analyzed PT Lautan Luas' Annual Report to gain a more detailed understanding of the company's performance. The Annual Report typically contains information about financial performance, ongoing sustainable projects, commitments to sustainability, business achievements, and progress toward Sustainable Development Goals (SDGs) mentioned in the abstract. We examined financial data, assessed how the company measured its positive impact on society and the environment, and evaluated its alignment with the principles of Good Corporate

Governance. This include review of Asean Corporate Governance score card result of PT. Lautan Luas.

Results and Discussion

CSV Approach

In the following section, further discussion on the policy to respond to the challenges and sustainability strategies will be elaborated further.

Policy to Respond to Challenges and Sustainability Strategy

In recent years, the business landscape has witnessed ongoing transformations, aligning with the implementation of demanding sustainability practices. In the realm of environmental management, the Company faces the challenge of contributing to climate change prevention. In the social sphere, issues concerning equitable labor and community management, along with the upholding of human rights, persist as areas ripe for enhancement. Within the governance domain, confronting anti-corruption

conduct and fostering sustainable business practices presents a set of obstacles.

To address these challenges, the Company has formulated a Sustainability Strategy, encompassing a comprehensive Sustainability Roadmap spanning from 2022 to 2031. Underpinning sustainability governance at the highest level, the Company has instituted the Sustainability Council Board (SCB), comprising the Board of Directors. This council has instituted the Sustainability Committee, comprising representatives from diverse functions and business units within PT LAUTAN LUAS Tbk. This committee serves as a collaborative force in advancing sustainability endeavors, overseeing the planning, execution, and evaluation of sustainability initiatives in tandem with the Sustainability Roadmap.

Embedded within the new Vision and Mission, the Company's dedication to sustainability is evident, reflecting its commitment to growth while collectively working to realize sustainability objectives that harmonize with business targets and yield shared value. This aspiration materializes through the Company's unwavering pledge to environmentally benign business processes, the fostering of thriving communities, and the

promotion of innovative business strategies congruent with the Company's sustainability pillars.

The Company's approach to sustainability challenges, as addressed in pertinent issues during the reporting period, is effectively channeled through the Sustainability Strategy and Roadmap. The Company diligently tackles each sustainability challenge, mitigating adverse impacts by strategically managing associated risks while capitalizing on opportunities to augment ESG performance. Compliance with pertinent regulations remains a paramount concern, and the Company perpetually strives to cater to the expectations of its stakeholders. To this end, the Company has instituted sustainability-focused Key Performance Indicators (KPIs) for its Board of Directors and corporate officers, including those within the Sustainability Department and Committee. Broadly speaking, the Company has succeeded in meeting these KPIs in 2022, affirming its capability to effectively navigate emergent issues in partnership with its management and workforce.

The culmination of its sustainability endeavors is mirrored in the revenue generated during 2022, which stood at Rp 7,879 billion, marking an impressive 18.7% increase from the preceding year's figure of Rp 6,636 billion. This achievement is a

testament to the Company's resolve in surmounting performance challenges throughout 2022, characterized by the sustained impact of the COVID-19 pandemic and the concurrent efforts towards national and global economic recuperation. Simultaneously, sustainable performance has been bolstered by heightened environmental efficiency measures and the development of sustainable product lines.

Sustainability Performance Implementation

The execution of sustainability performance has proven to be successful within the reporting period. The Company effectively achieved the stipulated sustainability performance objectives, particularly in the management of ESG aspects. Noteworthy accomplishments encompass the reception of the National Lighthouse Industry 4.0 award from the Ministry of Industry, recognizing digital transformation, and the Innovation Zone accolade from the Indonesian Cosmetics Association (PERKOSMI) for local manufacturing, both secured by two of the Company's subsidiaries.

Additionally, the Company has made strides in several other areas. These encompass advancements in the development

of clean drinking water treatment devices and systems, the utilization of palm shells as a sustainable source of renewable energy, and an augmentation in the count of local suppliers. Furthermore, the Company has extended support to women, including housewives, by facilitating income generation through partnerships involving the sale of Fiber Creme products as part of the IMA (Incredible Mom Agents) program.

Throughout the execution of sustainability performance initiatives, meticulous attention is granted to every phase of the Company's operations, ensuring alignment with the principles of the circular economy across the entirety of the production life cycle. This commitment remains unwavering in maintaining compliance with established governmental and regulatory standards, as well as relevant certifications. Notably, employees who exhibit exceptional performance or contribute to the enhancement of sustainability implementation are duly acknowledged and rewarded. This includes efforts towards reducing workplace accidents and mitigating environmental pollution.

Furthermore, the CSV program is designed to have a positive impact on the business by empowering local women through the development of their skills as "Incredible Mom

Agents." The program also involves converting tap water into drinkable water as a cost-effective promotional tool.

TARGET ACHIEVEMENT STRATEGY

The successful implementation of sustainability can be attributed to the robust support received from all stakeholders and the adept management of risks associated with diverse sustainability issues. Employing effective risk management practices, the Company has systematically identified and addressed environmental, social, and governance-related risks. Aligned with the identified risks and addressing material reporting priorities, the Company has enacted strategic measures to mitigate potential risks that could impact its sustainability performance.

Positioned within the chemical industry, the Company holds a firm belief in the expansive business opportunities that await in the upcoming years. This sentiment extends not only to the Company itself but also to its clientele, encompassing entities engaged in the provision of raw water and wastewater management products and services. Driven by the growing recognition of sustainable production processes in the industrial

sector, the demand for water and wastewater management solutions remains on an upward trajectory. Concurrently, the drive to provide clean water to communities, championed by various groups and governmental bodies, is also witnessing notable augmentation.

Such an environment presents a ripe opportunity for the Company to optimize its customer-oriented services. In line with this ethos, the Company, in collaboration with its subsidiaries, persistently enhances its product and service offerings concerning raw water management, effectively catering to the clean water requirements of households. Notably, the Company has bolstered capital allocation to its subsidiary, PT Lautan Solusi Airindo, which specializes in managing ready-to-drink water for both industrial and household needs. This measure is aimed at further enhancing the fulfillment of clean water necessities within communities. The Company also drives performance improvement across its other subsidiaries engaged in industrial clean water management and wastewater treatment.

Of course, these efforts must be pursued with adherence to established objectives and with the backing of stakeholders, considering the substantial external challenges that have the potential to influence sustainability. Several external

circumstances demand prudent consideration and responsive action, including evolving regulations, escalating commodity prices – particularly energy costs – and the looming specter of global inflation, which could potentially trigger economic downturns. Additionally, the Company remains acutely attuned to the challenges posed by climate change, particularly anomalies in weather patterns, which can significantly impact raw material availability, production processes, and the distribution of products.

Corporate Social Responsibility (CSR)

From a corporate social responsibility (CSR) perspective, PT Lautan Luas Tbk has consistently upheld its commitment to initiatives focusing on education and community development. Despite challenges, the family's strong support and commitment to these programs have sustained them over time. The company allocates a percentage of its bottom line to CSR, indicating a dedicated approach to giving back to society.

The social impacts of the Company's activities are managed through addressing the needs of customers, employees, suppliers/work partners, and communities within the operational

areas as immediate stakeholders. The implementation of social management is executed with a strong commitment to adhering to existing regulations. Throughout the reporting period, the Company has not encountered any allegations, fines, or legal sanctions linked to non-compliance in labor management, occupational health and safety (OHS), customer security and safety, and the fulfillment of corporate social responsibility (CSR). No fines or legal sanctions have been imposed upon the Company.

CSR and Community Empowerment Program

To address adverse effects, the Company employs an additional approach by channeling social investments through CSR initiatives within the Company's operational zones and other selected locations based on a range of considerations. The complete expenditure for CSR in 2022 amounted to Rp 9.89 billion, demonstrating an increase attributed to the execution of the Kampung Lautan Luas program during that year.

Attention is directed towards the management of social effects on susceptible communities within the operational vicinity, which includes women, expectant mothers, toddlers, and

children. These endeavors are closely aligned with CSR activities and empowerment programs instituted by the Company.

Program Kampung Lautan Luas

Collaborating with Habitat for Humanity Indonesia and Happy Hearts Indonesia, the Company spearheaded the creation of Kampung Lautan Luas in Margamulya Village, Mauk District, Tangerang Regency, Banten. The choice of this village was driven by its status as an underprivileged community. Over a five-year period, the Company's objective within this program is to facilitate the construction of 70 habitable houses, 7 schools, 7 clean water facilities, and 7 stalls. Launched in September 2021, the Kampung Lautan Luas initiative achieved a portion of its goals by the close of 2022.

We extend an invitation to our business partners to participate in realizing the Kampung Lautan Luas vision. As of the end of the reporting period, a collective total of 37 companies had contributed financially. Furthermore, the Company's employees have the opportunity to engage in the funding initiative by participating in a donation program that converts the distance they run or walk into homes for community residents.

Support Program in Education

Within its CSR framework, the Company annually extends educational support. In 2022, various programs were implemented, encompassing:

21st Century Education

This initiative is directed towards children residing beneath the Pluit Bridge in North Jakarta. Through this program, the Company imparts teachings to enhance self-confidence, emotional self-management, tolerance, the courage to dream, and the enhancement of their readiness for the realm of employment.

STEM & Work Readiness

The Company furnishes training in STEM, coding, and other skill sets to equip these individuals for their entry into the workforce. A total of 100 children from the Slipi area were participants in the training.

Data Science

In a bid to enhance enthusiasm within the technology sector and cultivate insights into the practical applications of data science in

daily existence, the Company organized Data Science training for 500 high school students in the Slipi area.

Seminar and Training for Children with Down Syndrome and Other Special Needs



Figure 1.1. Supporting Special Needs Kids

In order to raise awareness of the existence of children with Down syndrome, the company hosted a seminar attended by 200 parents, therapists, educators, observers, and members of the general public. In addition, we organized training in cake-making, handicrafts, and jumputan fabric. The expectation is that they will be able to become financially independent and that their presence in society will not be viewed as a burden.

The company's CSR program involves collaborating with social communities such as **Happy Hearts Indonesia** and **Habitat** in the field of education. This includes providing scholarships for 50 individuals and establishing volunteering opportunities for collaborators and donors. Additionally, the company is committed to constructing adequate housing in alignment with government regulations. The Lautan Luas Scholarship is divided into internal and external categories, with a focus on identifying qualifying candidates from both the surrounding community and company employees.

SDGs

Through its sustainability performance during the reporting period, the company contributes to the achievement of the SDGs.

The Company places emphasis on supporting six goals that align with the Targets and Indicators outlined in the Ministry of National Development Planning's SDG Indicator Metadata.

SDG No. 1: No Poverty

- Achieved 100% membership of BPJS Health and BPJS Employment for employees.
- Achieved 100% participation of BPJS Health and BPJS Employment for supplier/work partner workers operating within the company environment.
- Supported 13 individuals who are IMA members and earn an additional income of Rp 800,000 per month.

SDG No. 3: Good Health and Well-Being

- Achieved 92% COVID-19 booster realization for employees at Lautan Luas & Group.
- 13 IMA participants were realized.

SDG No. 4: Quality Education

- Distributed 10 units of computers to Baitussa'adah School in Kadu, Tangerang, Banten by one of the manufacturing subsidiaries.

- Accepted 28 student interns within Lautan Luas Group during 2022, placed at PT LAUTAN LUAS Tbk and its subsidiaries.
- Provided Data Science Training to 500 high school/vocational school students.
- Delivered STEM Work & Readiness Training to 100 high school students.

SDG No. 5: Gender Inequality

The number of female employees in managerial positions within the Company is 179 people, constituting 4.9% of total employees and 26.3% of total female employees. PT Lautan Luas does not impose gender-based restrictions on individuals applying to join the company, regardless of whether they are female or male. If a woman possesses the requisite capabilities, there is no justifiable reason for prohibition. This approach underscores the company's dedication to cultivating an equitable and inclusive environment, where each individual is assessed based on their merits, expertise, and qualifications, rather than being influenced by their gender. Equalizing opportunities for both genders is believed to enable the company to tap into a diverse talent pool, consequently leading to a more robust and inventive workforce. PT Lautan

Luas values diversity and acknowledges the significance of establishing a level battleground for all its employees.

SDG No. 6: Clean Water and Sanitation

- Supported the production of clean water by customers to meet the household requirement of 3,257.82 million m³ and fulfilled 32,742 m³ of drinking water for around 45,000 people per day.
- Supported the company's operations by producing processed clean water from industrial wastewater, totaling 1,032.66 million m³, and recycled water totaling 0.21 million m³.

SDG No. 7: Affordable and Clean Energy

- Achieved a realized energy consumption of 4,886.66 GJ from palm shells in 2022.
- In general, the Energy Intensity Value in 2022 exhibited a decrease from 2021. PT Lautan Luas consistently strives to reduce energy intensity in its operations by utilizing various energy-efficient equipment and electronics, as well as conducting studies related to renewable energy sources

SDG No. 8: Decent Work and Economic Growth

- Overall, the lowest wage received by employees remains higher than the lowest minimum wage within the operational area.
- No occurrences of fatal work accidents or PAKs.
- Total safe working hours for the Company reached 18,041,273 hours.

SDG No. 9: Industry, Innovation, and Infrastructure

In general, the GHG Emission Intensity value within the manufacturing business unit showed a decrease from 2021.

SDG No. 10: Reduced Inequalities

- The Company has never received complaints of discrimination at work from employees, particularly female employees, or any other human rights violations. The company ensures there is no discrimination in its workplace by having policies regarding recruitment, development, promotional opportunities, and all company activities are open to all employees without any specific limitations.

- All Company employees are members of BPJS Ketenagakerjaan, with membership dues paid by the Company to BPJS Ketenagakerjaan.
- The Company's payment of BPJS Ketenagakerjaan membership dues in 2022 amounted to Rp10.34 billion.
- Total health insurance claims related to private insurance within Lutan Luas Group in 2022 were 11,563 claims.

SDG No. 11: Sustainable Cities and Communities

- Realized completion of 45 livable houses for pre-prosperous families in 2022. The company ensures that the habitable houses remain in habitable condition for a specified duration according to established standards in collaboration with CSR partner Habitat
- Monitoring and measurement results indicate that ambient air quality within the Company's operational area meets the quality standards set by the government.

SDG No. 12: Responsible Consumption and Production

- Achieved a volume of 8.48 tons of hazardous waste (B3) reused, and a volume of 16,895.86 tons managed by third parties in 2022.

- Achieved a volume of 120.07 tons of non-B3 waste reused, and a volume of 14,937.61 tons managed by third parties in 2022.
- The company has published a Sustainability Report every year since 2019.
- Certified ISO 14001:2015 Environmental Management System.

SDG No. 13: Climate Action

The total volume of Scope 1 GHG emissions in 2022 is 78,182 Tons CO₂eq, marking a 7% decrease from 2021's 84,093 Tons CO₂eq. The effective measures taken by PT Lautan Luas to reduce greenhouse gas emissions in its manufacturing business units and its ongoing efforts to minimize their impact on climate change include several manufacturing facilities conducting studies on the installation of solar panels. Additionally, some facilities have begun using coconut shells as an energy source.

SDG No. 16: Peace, Justice, and Strong Institutions

- Implemented Anti-Corruption Policy throughout the Company and its subsidiaries. The company ensures the effectiveness of its Anti-Corruption policy within the

organization and its dissemination to employees. There have been no reported incidents related to corruption during this period.

- Conducted socialization of Anti-Corruption Policy to all employees. PT Lutan Luas upholds the company's integrity and ensures a robust governance system. As a public company, all corporate actions and material transactions are disclosed to the public and adhere to guidelines to prevent conflicts of interest.

SDG No. 17: Partnerships For the Goals

Total tax remittance to the government amounted to Rp100.05 billion. Lutan Luas is committed to empowering all working partners, especially suppliers, to establish mutually beneficial collaborations that are in line with LTLS's track record and reputation. Over the years, LTLS has built long-standing working relationships with numerous suppliers, solidifying them as dependable and reliable partners

Issues and Challenges of Sustainability Implementation

The persistent COVID-19 pandemic remains a challenge for the company's short-term sustainability implementation. The company continues to limit sustainability efforts to aiding the government in disrupting the spread of the virus. In addition to COVID-19, the company conducts benchmarking related to sustainability strategies and policies, establishing a baseline for accurate measurement of sustainability performance.

Looking forward, a long-term challenge in sustainability implementation is the differing levels of stakeholder understanding. Within the company, this issue is being addressed by further developing and strengthening the integration of human resource management, including engaging employees in sustainability-related matters. Additionally, experts and consultants are invited by the company to provide training to management and the Sustainability Committee.

Implementing the established roadmap and policies is demanding, requiring support from all business units and functions. The company regularly coordinates with company leadership to report progress achieved at various stages.

Environmental, economic, and social risks have been identified within our internal framework. Each sustainability-associated risk has been carefully prepared and communicated within the company.

Externally, the company continues to establish communication and collaboration with various parties, including academic institutions, consultants, and regulators. This is aimed at optimizing the implementation of the Sustainability Strategy and the management of ESG issues to support sustainable business practices. The company is consistently building stakeholder networks to contribute to the attainment of the Sustainable Development Goals.

Good Corporate Governance

GCG embodies two beliefs. Firstly, GCG is considered a key to a company's success in growing, providing long-term benefits, and winning business competition - especially for companies that can develop and become more transparent. Secondly, it is believed that the economic crises in Asia and Latin America were exacerbated by weak legal and banking systems, inconsistent accounting and auditing standards, and a lack of concern for minority shareholder rights by the Board of

Directors (BOD), all of which failed to apply GCG. (Daniri, 2014)

PT Lautan Luas Tbk (“the Company”) remains steadfast in its commitment to upholding the principles of Good Corporate Governance (“GCG”) throughout every facet of its organizational framework.

To enhance the decision-making processes within the Company, a reliance is placed on clearly defined responsibilities, the segregation of duties in alignment with GCG principles, and the impartial oversight by competent professionals. Ever since its inception, tenets of transparency, accountability, responsibility, fairness, and autonomy have formed integral components of the Company's management philosophy, laying down a foundational bedrock for achieving sustainable growth.

Through the implementation of GCG, the Company has effectively solidified its position as a comprehensive and foremost chemical manufacturer across the broader regional landscape.

Since its listing on the Indonesia Stock Exchange in 1997, the Company has diligently adhered to the normative GCG standards mandated by the Financial Service Authority (OJK), which include the appointment of Independent Commissioners,

the establishment of an Audit Committee overseen by the Board of Commissioners, and the formation of an Internal Audit Unit under the supervision of the President Director. Continual enhancement of GCG practices is a continuous pursuit for the Company. Notably, the Board of Commissioners currently fulfills the roles of Nomination and Remuneration, bolstered by pertinent guidelines designed to steer their selection of candidates for both the Board of Commissioners and Directors, along with their respective compensations.

The combined leadership of the Board of Commissioners and Directors serves as the guiding force behind the Company's endeavors to realize its predefined objectives.

ASEAN Scorecard

The evaluation of the company's governance practices through the ASEAN Corporate Governance Scorecard encompasses a wide array of dimensions, shedding light on its commitment to transparent and effective governance. In the first levels of the assessment, the examination begins with a focus on the company's Code of Ethics or Conduct, a fundamental element underpinning ethical behavior. While the code is disclosed, the report highlights that complete compliance is still pending from

senior management and employees. This underscores the importance of ethical guidelines in steering the company's actions.

The evaluation further delves into the composition of the Board, a pivotal factor in effective governance. Here, the company shines by meeting the benchmark of having independent commissioners constitute at least 50% of the board. Importantly, it adheres to term limits and director holding limits, reflecting a commitment to renewal and avoiding over-concentration of power.

Key board committees, including the Nomination Committee and Remuneration Committee, come under scrutiny in the assessment. However, the information available is limited, leaving a gap in understanding the extent of their composition, roles, and processes. This lack of transparency in key committees suggests an area for potential improvement in the company's governance framework.

Conversely, the Audit Committee stands out as a well-structured and robust entity. Comprised entirely of commissioners, with an independent Commissioner as its chair, the committee plays a crucial role in ensuring financial oversight and accountability. This is buttressed by the fact that the company

discloses the terms of reference and charter of the Audit Committee, demonstrating transparency and commitment to best practices.

In choosing the corporate secretary of PT Lautan Luas Tbk, the recruitment standards is quite selective. Every recruitment process must meet appropriate qualification standards. The Corporate Secretary has the following duties and responsibilities:

1. Keep up with Capital Market developments, especially the regulations that apply in the Capital Market sector;
2. Provide input to the Board of Directors and Board of Commissioners of the Company to comply with the provisions of laws and regulations in the Capital Market sector;
3. Assisting the Board of Directors and Board of Commissioners in implementing Corporate Governance which includes:
 - a. Disclosure of information to the public, including the availability of information on the Company's website;
 - b. Timely submission of reports to OJK;
 - c. Implementation and documentation of GMS;

- d. Implementation and documentation of meetings of the Board of Directors and/or the Board of Commissioners;
- e. Implementation of orientation program for the Company for the Board of Directors and/or the Board of Commissioners.
- f. As a liaison or contact person between the Company and the Company's shareholders, OJK and other stakeholders.
 - Managing reporting activities related to the corporate secretary
 - Acting as a liaison between the company and shareholders, regulators, and other stakeholders
 - Handling corporate events, such as GMS, public expose, press conferences, and also sponsorship activities
 - Handling corporate social responsibility (CSR) activities
 - Handling public information related to the company
 - Monitor requirements from the financial services authority (OJK) and coordinate each relevant division

to make reports to the financial services authority (OJK)

Transitioning to Part two of the assessment, a deeper dive into the company's board processes unveils a well-structured approach. Scheduled board meetings before the start of the financial year, along with a minimum of six meetings throughout the year, reflect a commitment to regular engagement. Moreover, the attendance records reveal that directors/commissioners actively participate in these meetings, aligning with best practices and underlining their dedication to their roles.

The company's approach to quorum requirements and decision-making processes is also noteworthy. While not meeting the specified threshold of at least $\frac{2}{3}$ for board decisions, the company's decision-making threshold, exceeding 50%, implies a balance between participation and efficiency.

The significance of access to information for board members is evident in the assessment. Board papers are provided well in advance of meetings, enabling directors/commissioners to prepare effectively. The company secretary's pivotal role in supporting the board's responsibilities is acknowledged, further emphasizing the importance of their expertise and training.

Leadership dynamics come into focus, with the company embracing the practice of having separate roles for chairman and CEO. This separation of powers underscores a commitment to governance principles. Notably, the presence of a female independent director on the board exemplifies a dedication to diversity.

However, the assessment identifies certain areas where detailed information is lacking. Orientation programs, continuous education initiatives, and succession planning processes remain undisclosed. Similarly, performance assessments for the CEO and the board lack transparency, suggesting room for further improvement.

Conclusion & Recommendations

Conclusion

In an era characterized by the intricate interplay of business, ethics, and environmental stewardship, PT Lautan Luas emerges as a resounding exemplar of a company that adeptly balances commercial success with sustainability and sound governance. Boasting a storied history of over 70 years in the

Indonesian chemical industry, PT Lautan Luas has seamlessly evolved from its origins as an importer and distributor to a trailblazing force in manufacturing and distribution.

At the heart of PT Lautan Luas' narrative lies a profound commitment to sustainability, which manifests through its meticulously crafted Sustainability Strategy and Roadmap. The establishment of the Sustainability Council Board, comprising the Board of Directors, stands as a testament to the organization's recognition of the criticality of sustainability in contemporary business. This collaborative forum, embodied by the Sustainability Committee, amplifies the multifaceted approach to sustainability governance, overseeing the conception, execution, and assessment of initiatives that resonate with the company's sustainable trajectory.

The realignment of the Vision and Mission to encapsulate this commitment underscores PT Lautan Luas' dedication to intertwining sustainability objectives with business imperatives. As the company surmounts the challenges of climate change and societal well-being, it deftly navigates the intricate confluence of economic growth, environmental protection, and societal progress.

Embedded within PT Lautan Luas' DNA is an unwavering allegiance to Good Corporate Governance (GCG), a cornerstone that has guided its journey since its public listing. The interplay between the Board of Commissioners and Directors, harmonizing responsibilities, ensuring transparency, and nurturing equitable practices, paints a portrait of governance excellence. Notably, the distinct roles of chairman and CEO, coupled with the active participation of independent directors in pivotal committees, signify a commitment to checks and balances.

The Audit Committee, standing as a bastion of financial vigilance, exemplifies the company's dedication to ethical conduct and accountability. Through measured adherence to GCG principles, PT Lautan Luas upholds the sanctity of governance, strengthening its position as an exemplar of integrity.

The ASEAN Corporate Governance Scorecard unveils a nuanced tapestry of PT Lautan Luas' governance landscape. An incisive scrutiny of the Code of Ethics and Conduct reflects the company's ethical compass, though the journey to full compliance among senior management and employees remains ongoing. The composition of the Board, mirroring the ideals of independent oversight and rejuvenation, showcases the commitment to steering away from the concentration of power.

While key board committees' beckon for enhanced transparency, the Audit Committee looms large as a model of structure and probity. As the assessment delves deeper into board processes, it unveils a tableau of calculated decision-making, informed engagement, and meticulous oversight. By embracing the tenets of transparency, accountability, and autonomy, PT Lautan Luas anchors its governance framework in principles of unwavering stewardship.

In a world characterized by uncertainty, PT Lautan Luas' proactiveness in confronting the persisting challenges of the COVID-19 pandemic underscores its resilience. Meticulous risk management, stakeholder engagement, and partnerships underscore the company's agile response, positioning it as an exemplar of adaptability. While navigating a dynamic landscape marked by shifting regulations, economic flux, and climatic anomalies, the company's commitment to holistic excellence remains unshaken.

Thus, PT Lautan Luas emerges as a luminary at the confluence of sustainability and governance. By integrating sustainability into its core strategies and nurturing a governance ecosystem rooted in transparency and accountability, the

company serves as a paragon of progressive corporate practices. With the ASEAN Scorecard evaluation highlighting strengths and areas for growth, PT Lautan Luas is poised to embark on a trajectory of continued growth, responsible stewardship, and enduring impact.

Recommendations

While PT Lautan Luas has showcased commendable commitment to sustainability and governance, there exist avenues for further refinement and advancement. Building upon the foundation of its achievements, the company can strategically address specific areas to solidify its position as a leader in responsible business practices.

To bolster its governance framework, PT Lautan Luas should prioritize enhancing transparency within key board committees. Comprehensive disclosure of the composition, roles, and processes of committees such as the Nomination and Remuneration Committees would provide stakeholders with a clearer understanding of decision-making processes and foster trust. We also recommend that the company add one more committee to the board of commissioners, namely the risk

management committee, to accelerate the GCG program and improve the performance of the company, for Company sustainability and growth. By sharing the mandates and charters of these committees, the company can demonstrate its dedication to comprehensive governance practices.

As the company navigates a rapidly evolving business landscape, it should consider augmenting its training and development initiatives, particularly in areas related to sustainability and governance. Offering specialized training for board members, executives, and employees on topics such as environmental stewardship, ethical conduct, and regulatory compliance can empower stakeholders to make informed decisions and drive sustainable practices throughout the organization.

PT Lautan Luas should further amplify its engagement with stakeholders, particularly external parties such as local communities, non-governmental organizations, and academia. Collaborative partnerships can facilitate the co-creation of sustainable solutions, engender a broader understanding of societal needs, and enhance the company's ability to address emerging challenges effectively. Regular consultations, town

halls, and joint initiatives can solidify the company's status as a responsible corporate citizen.

While PT Lautan Luas has made strides in promoting gender equality, further efforts to increase female representation across all levels of the organization can drive positive change. Establishing targeted programs for leadership development, mentoring, and career advancement for women can foster a more inclusive work environment. By embracing diversity, the company can harness a broader spectrum of perspectives, enriching its decision-making processes.

To communicate its sustainability and governance efforts effectively, PT Lautan Luas should consider enhancing its reporting mechanisms. Publishing a comprehensive and easily accessible Sustainability Report, detailing the progress made, challenges faced, and future goals, can enhance transparency and accountability. Employing multiple communication channels, such as social media, webinars, and public forums, can ensure that the company's stakeholders remain informed and engaged.

Embracing technological innovations, such as digital platforms and data analytics, can further optimize sustainability and governance practices. Implementing advanced tools for tracking environmental performance, analyzing ESG data, and

monitoring supply chain sustainability can provide real-time insights to drive informed decision-making. Moreover, leveraging technology for stakeholder engagement can facilitate dynamic interactions and prompt collaborative solutions.

To enhance its commitment to sustainability, PT Lautan Luas can explore initiatives related to the circular economy. This could involve measures such as adopting closed-loop production processes, recycling and reusing waste materials, and minimizing resource consumption. By embracing circular economy principles, the company can simultaneously mitigate environmental impacts and unlock new business opportunities.

Building upon the success of the Kampung Lautan Luas program, PT Lautan Luas should consider expanding its community empowerment initiatives. By diversifying programs aimed at education, skill development, and social welfare, the company can contribute to broader societal advancement. Collaborations with local NGOs, educational institutions, and government bodies can amplify the impact of these initiatives.

Lessons Learned

The journey of PT Lautan Luas towards sustainability and enhanced governance has been characterized by significant achievements, valuable insights, and continuous growth. As the company reflects on its past endeavors, there are several key lessons that can guide its future trajectory towards even greater success.

The evolution of PT Lautan Luas from a chemical distributor to a sustainability-focused organization underscores the importance of integrating sustainability principles into the core business strategy. The company's success in aligning its sustainability roadmap with its vision and mission highlights that sustainability is not an isolated endeavor but a fundamental aspect that permeates every facet of operations. This approach positions the company to navigate changing market dynamics, stakeholder expectations, and regulatory landscapes while driving long-term value creation.

The company's collaborative approach to sustainability, demonstrated through partnerships with NGOs, government bodies, and other stakeholders, showcases the power of collective action. Engaging a diverse range of stakeholders enables PT

Lautan Luas to tap into varied perspectives, expertise, and resources, ultimately leading to more comprehensive and effective solutions. The success of initiatives like the Kampung Lautan Luas program reinforces the notion that sustainable progress is best achieved through active collaboration with communities, organizations, and individuals sharing common goals.

The journey towards sustainability is an iterative process that requires ongoing evaluation, adaptation, and improvement. PT Lautan Luas' commitment to setting and meeting sustainability-focused Key Performance Indicators (KPIs) exemplifies the importance of measuring progress and continuously raising the bar. The ability to identify challenges, seize opportunities, and pivot strategies based on changing circumstances is crucial in maintaining a trajectory of positive impact and growth.

The company's adherence to the principles of Good Corporate Governance (GCG) serves as a testament to the significance of ethical leadership and transparent governance. PT Lautan Luas' practice of appointing independent commissioners, segregating roles, and ensuring accountability fosters an environment of trust and responsible decision-making. The

lessons derived from upholding high governance standards underscore that ethical conduct and accountability are not only fundamental values but also essential drivers of sustainable success.

The global COVID-19 pandemic presented unforeseen challenges that tested the company's resilience and adaptability. PT Lautan Luas' swift response to aid government efforts in mitigating the spread of the virus highlighted the importance of agility and social responsibility. The lessons learned from managing through such adversity emphasize the need for businesses to remain flexible, proactive, and responsive to external shocks while upholding their commitment to sustainability and community well-being.

The company's emphasis on technological innovation, evident in its adoption of cleaner production processes and exploration of renewable energy sources, illustrates the transformative potential of innovation in driving sustainable practices. The integration of data science, clean energy technologies, and circular economy principles showcases that innovation is not only a tool for efficiency but also a catalyst for positive environmental and social change.

PT Lautan Luas' holistic approach to social impact, as exemplified through its Community Empowerment Programs, signifies that responsible business extends beyond financial success. The lessons learned underscore that investing in education, health, and well-being of communities not only aligns with societal needs but also contributes to a thriving ecosystem where business and communities mutually prosper.

The company's alignment with the United Nations' Sustainable Development Goals (SDGs) demonstrates that sustainability transcends organizational boundaries and connects with global aspirations. PT Lautan Luas' contributions to various SDGs, ranging from poverty alleviation to clean water access, highlight the potential for businesses to address pressing global challenges through localized actions.

In charting its future course, PT Lautan Luas can draw on these invaluable lessons to further amplify its impact on sustainability and governance. By embracing a culture of continuous learning, adaptability, collaboration, and innovation, the company can navigate complexities, capitalize on opportunities, and contribute meaningfully to a more sustainable and equitable world. The journey towards sustainability is a dynamic and evolving one, and PT Lautan Luas stands poised to

drive positive change as it continues to uphold its tradition of excellence and commitment to responsible business practices.

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Asean Corporate Governance Scorecard

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CHAPTER TWO

A Case Study of PT Samudera Indonesia Tbk.

Refoputra Riyadi, Samantha Easterina, Mario Elfando, Jihye

Park, Ryu Sunhyeon

Sekolah Tinggi Manajemen IPMI

ABSTRACT

Corporate Social Responsibility is one of the major projects from PT Samudera Indonesia Tbk as the social responsibility for the environment and society. CSR as a component of Good Corporate Governance encompasses a set of principles, policies and practices that guide a company's decision-making process and ensure accountability, transparency, and ethical behavior. CSR can be considered a component of GCG as an initiative that is often seen as part of a broader corporate governance framework. This framework leads to the sustainability that can improve not only the quality of the

lives of the company but also the quality of the lives of the humankind and environment. PT Samudera Indonesia Tbk is Indonesia's largest private company in the shipping industry. The strength of the CSR programs in its business is one of the essential factors for the company's sustainability. PT Samudera Indonesia Tbk is evolving continuously to support Sustainable Development Goals (SDG) through the CSR approach. They embedded the value through its CSR Focused Division as the spearhead for the motor of the CSR activities and make sure that the implementation is strict to the goal. In this chapter we will explain more about PT Samudera Indonesia Tbk as the biggest private shipping industry in Indonesia and all of its CSR activities.

Keywords: *Sustainability, Corporate Social Responsibility, Shipping, GCG*

Introduction

The Rise of PT Samudera Indonesia Tbk

Throughout the history of the world and mankind, oceans have had an important role for the world's population as a means of transportation. People continue to travel using the sea and ships as a mode of transportation for humans to move from places. At that time, humans could move islands, moving countries, and even moving continents by using sea transportation as the mode. However, today's conditions are not what they were a few decades ago. Since the advent of air travel, which can also pass between continents, sea voyages have become limited to short trips only. Furthermore, current conditions also cause more ships to carry goods or cargo than humans.



Figure 2.1 Cargo Ships in The Ocean, source: Google.

Since the era of globalization began, the market for the shipping industry has also joined to grow as it becomes more global. As a result, the volume of delivery of goods continues to soar. Since around the 1950s, the trade growth rate has consistently soared up to 2 times the overall economic activity. In the early 2000s, international trade grew to 5.5%. Meanwhile, as measured using Gross Domestic Product (GDP), world economic activity only grew by around 3%. Still, since around the 1950s, world trade has increased to more than quadrupled to 45 percent of Global GDP. On the other hand, increased production of goods for the manufacturing industry has risen to more than five times.

PT Samudera Indonesia Tbk, is Indonesia's largest private company in the shipping industry. It has been established for more than 70 years, and soaring cargo rates worldwide are also a breath of fresh air for the company. The strength of CSR programs is one of the essential factors for the company's sustainability. Indeed, PT Samudera Indonesia Tbk can last up to 70 years because of the effective and efficient CSR program.



Figure 2.2 Samudera Indonesia Cargo Ship, source: PT Samudera Indonesia Tbk

PT Samudera Indonesia as the largest private shipping company in Indonesia has the CSR Program through Yayasan Samudera Indonesia Peduli (Samudera Peduli). The CSR activity at first was conducted in each unit division and its not integrated from one project to another. But as the company grows bigger, the stakeholders decided to sharpen the CSR movement to fulfill the social responsibility demand and to complete the GCG framework by forming the special division to conduct the CSR program all across Indonesia and its branches.

PT Samudera Indonesia Tbk through Samudera Peduli is focused on seven areas in implementing CSR programs, namely:

1. Economy and Society

2. Religion
3. Education
4. Health and Sports
5. Humanitarian and Natural Disaster
6. Environmental Preservation
7. Repair and Development of Public Facilities

These seven focuses above are a benchmark for the CSR Division to create a program that is relatable to its ecosystem.

PT Samudera Indonesia Tbk's Company Profile

PT Samudera Indonesia Tbk established in 1964, 13th November that has more than 45 subsidiaries and more than 4000 human capitals. Indonesia as the largest archipelago in the world to form a single state that consists of five main islands and more 30 smaller archipelagoes, totaling about 18.110 islands and islets of which about 6.000 are inhabited with different type of islands, different type of people, different type of interests and needs are the main reason why the business has risen. As the country located between the pacific and Indian ocean, PT Samudera Indonesia knows that Indonesia needs the advanced shipping service and that is how Samudera Indonesia established.

PT Samudera Indonesia Tbk’s core business is Integrated shipping, logistics services and ports. The coverage of its business itself is reach up from Indonesia to Asia and worldwide such as Singapore, India, Dubai, Malaysia, Cambodia, Japan, Philippines, Vietnam. Thailand and many more.

The main market is coming from Indonesia but it can be said that nowadays services outside Indonesia also have been a good contribution for the company.



Figure 2.3 Coverage Area of Samudera Indonesia Tbk

Table 2.1 Company Identity

Company Name	PT Samudera Indonesia Tbk
Date of Establishment	13 November 1964
Legal Basis of Establishment	Notary Deed No. 33 year 1964, signed before Notary Soeleman Ardjasmita, S.H. with the latest Articles of Association based on Deed No. 12 year 2022, signed before Notary Jessy Darmawan, S.H., M.Kn
Core Business	Integrated Shipping & Logistics Services
Support Business Activities	Warehouse and distribution center, container depot, land transports, ports, container shipping, dry bulk carrier, offshore supporting service, third party logistic, heavy equipment transports, agencies, ship management, and crewing.
Numbers of Employees	4.418 (as of 31 December 2022)
Authorized Capital	RP300.000.000.000 consists of 12.000.000.000 shares, with the nominal value of Rp81.878.000.000
Listed in Stock Exchange	The company shares had been listed in Indonesia Stock Exchange on 5 July 1999
Ticker Code	SMDR
Head Office Address	Gedung Samudera Indonesia, Jl. Letjen S. Parman Kav. 35 Jakarta 11480, Indonesia
Email	corporate.secretary@samudera.id
Website	www.samudera.id

The Milestone

PT Samudera Indonesia Tbk’s journey is a wonderful milestone that has brought the company up until now. Started from the year of 1964 as the company were established, commenced the domestic inter-island shipment service at 1967, established inland transport company equipped with 100 trucks at 1975, established warehousing business unit at 1992 into the signing of the multipurpose terminal construction in Samarinda , providing inland transportation services in Malaysia, established

Samusera Tankers to spreading its business worldwide up until now.



Figure 2.4 Milestones of PT Samudera Indonesia Tbk, source: Annual Report of PT Samudera Indonesia Tbk
Logo, Visio, Mission, Motto and Value

Logo



Figure 2.5 PT Samudera Indonesia Tbk's logo

VISION

PT Samudera Indonesia's vision that has been lived for years which is: *Connecting Indonesia*. This means that the company is the connector from island to island and places to many more places.

MISSION

PT Samudera Indonesia's missions consist of 5 points which are:

1. Providing transportation services to meet the demand of goods distribution activities to and from around Indonesia.
2. Continuously ensure sustainable business growth and deliver additional value to shareholders.
3. Positively contribute to Indonesia economic growth by providing efficient logistics solutions.
4. Actively participating in creating employment and developing human capital competency in Indonesia.
5. Ensure OHS and environment protection in all actions.

MOTTO

A company's motto is a brief, memorable phrase or statement that encapsulates the core values, mission, or principles

of the company. There are 4 mottos that has been lived by all of the member of PT Samudera Indonesia Tbk which are:

1. Patience
2. Resilience
3. Persistence
4. Faith

This motto has been the motor of the company in running its business in shipping and all of their activities.

COMPANY VALUE

PT Samudera Indonesia Tbk also has company value that has been living for a long time by all of its stakeholders which is:

Integrity and Professionalism.



Figure 2.6 Board of Directors of PT Samudera Indonesia Tbk

PT Samudera Indonesia Structure

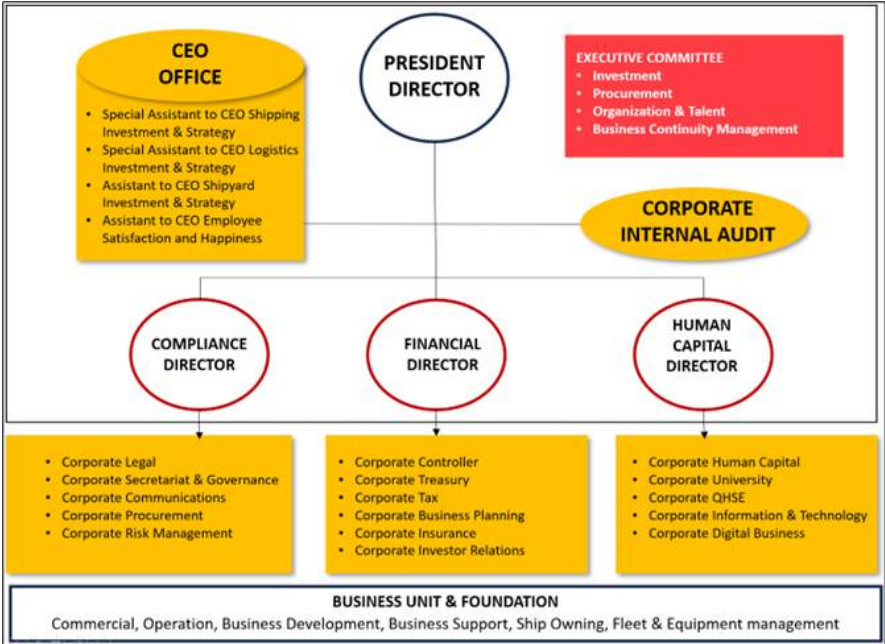


Figure 2.7 PT Samudera Indonesia Tbk's structure

CSR Program and The Pillar Strategy

Samudera Indonesia implementing CSR programs through Yayasan Samudera Indonesia Peduli (**Samudera Peduli**). Samudera Indonesia is focused on seven areas in implementing CSR programs, namely:

1. Economy and Society.
2. Religion.
3. Education.
4. Health & Sports.
5. Humanitarian & Natural Disaster.
6. Environmental Preservation.
7. Repair & Development of Public Facilities.

Social Responsibility Activity

Subject to Samudera Indonesia’s 2022 Annual Report, they have committed various CSR activities with an investment of up to IDR 19 billion with details as follows:

Category	Value (IDR)	Percentage (%)
Economy and Society	3.180.978.061	17
Religion	415.788.002	2
Humanity and Disaster	825.743.817	4
Health and Sport	524.915.099	3
Preservation of the Environment	6.553.204.733	35
Education	4.412.582.545	23
Repair and Development of Public Facilities	3.019.846.144	16
Grand Total	18.933.058.401	100

Table 2.2

CSR Programs

Various CSR programs that have been carried out by Samudera Indonesia in 2022 are:

a. **Samudera Indonesia School Boat**

The Samudera Indonesia School Boat Program was initiated in 2018. In 2021, Samudera Indonesia has three fleets in 3 (three) provinces, namely the **Sinar Waisai** School Boat in Muaragembong, Bekasi Regency, **Sinar Wakatobi** School Boat in Telong Elong, East Lombok, and **Sinar Way Kambas** School Boat in Loa Kumbar, Samarinda.

In 2022 Samudera Peduli added two fleets in 2 (two) areas, namely the **Sinar Wonosobo** School Boat in Kampung Laut, Cilacap, and the **Sinar Waingapu** School Boat in Bertam Island, Batam City.

The five boats are specifically designed for a transportation fleet for students and teachers in coastal, river, and island areas of Indonesia to school, prioritizing security and safety aspects.

Vessel Name	Total Passengers
Sinar Wakatobi	9.070 passengers
Sinar Waisai	11.083 passengers
Sinar Way Kambas	8.538 passengers
Sinar Wonosobo	3.771 passengers
Total	32.462 passengers

Table 2.3 List of Vessels



Figure 2.8 Sinar Waisai, Source: Pt Samudera Indonesia Tbk.

b. Samudera Green Movement

Samudera Green Movement is an environmental program that focuses on marine and coastal. Through this program, 11,000 Mangrove seedlings have been planted in 2 (two) beach locations that are threatened by abrasion, namely Beting Beach, Muaragembong, Bekasi Regency, and Mangkang Wetan Beach, Semarang. In addition, coral reef rehabilitation has also been carried out on Air Island, Kepulauan Seribu, by placing 960 coral reef seeds to stimulate the growth of damaged coral reef ecosystems.

Samudera Green Movement also focuses on campaigning environmental issues by involving the participation of the public, local communities, and NGOs. This culminated in a beach clean-up at Keramas Beach, Bali, which collected 314 kg of plastic waste and sandals for recycling.



Figure 2.9 Samudera Green Movement Activity

Source: PT Samudera Indonesia Tbk

c. Clean Water Installation

The Clean Water Installation Program is the Company's effort to help the community in meeting the need of clean water in each target area, such as the Water Filtering Method carried out in Sukanegara, Jonggol, Bogor Regency and the Boring Well Method in Sukaluyu, Cianjur Regency.

Number of beneficiaries of the clean water for West Java region in Jonggol area amounting to 80 heads of families, Cianjur amounting to 80 heads of families and Bandung amounting to 150 heads of families.

d. Seafarer Scholarship

In year 2022, the Company implemented an education support program for outstanding cadets from 5 (five) sailing schools in 4 (four) provinces in Indonesia, namely Sekolah Tinggi Ilmu Pelayaran Jakarta, Politeknik Pelayaran Banten, Politeknik Bumi Akpelni Semarang, Politeknik Ilmu Pelayaran Makassar, and Politeknik Pelayaran Barombong.

There were 200 scholarship selection participants, and 60 best candidates were selected to receive educational assistance for 1 (one) year of education and the opportunity for sea practice at the Company.



Figure 2.10 Seafarer Scholarship Program, source:

Beritatrans.Com

e. Samudera Reading Park

Samudera Reading Park was established to address the limited access to reading books and to increase children's interest in reading. Reading Park is based on a portable camp on the coast of Muaragembong, Bekasi Regency, with book collections for elementary school children, and regularly holds activities that introduce the marine and maritime world.

In the period of September 2022 to January 2023, the total number of visitors are 847 people with the number of books read, 810 books.



Figure 2.11 Taman Baca Samudera, source: Samudera Indonesia Peduli

f. Waste Management

In 2022, Samudera Peduli conducted a waste management program at the office by placing a recycle box in Samudera Indonesia’s office, specifically in Slipi (Head Office) and Yos Sudarso.

Wastes that have already been collected by the Company in 2022 are shown below:

No	Samudera Indonesia Office Locations	Waste Type (kg)		
		Plastic	Paper	Electronic
1	Slipi (Jakarta)	64	36	-
2	Yos Sudarso (Jakarta)	413	278	2

Table 2.4 Office’s Waste

g. Floating Hospital Program

In 2022, Samudera Peduli provided support in the ship building program for Wadio Floating Hospital. The construction started in April 2022 and will be completed in 2023.



Figure 2.12 Illustration of Floating Hospital

CSR Impact To The Company

Improves Company's Social Standing

a. Impact from Samudera Indonesia School Boat

By the implementation of Samudera Indonesia School Boat Program, the Company creates a lot of social impact in the society. It showed that the Boat already carried more than 30

thousand passengers. The Company must be recognized very well by the society and all stakeholders for their generosity.

b. Impact from Samudera Reading Park

Samudera Indonesia has been very supportive to long-distance local society by creating Samudera Reading Park. They empower the elementary school children by providing books and also introducing the marine and maritime world to them.

Strengthen Company's Brand

PT Samudera Indonesia's social activities have several impacts on the company's brand. It leads to the intangible positive impact by continuing to focus on the CSR program. Those several positives intangible impact such as:

1. Enhanced Reputation: Engaging in CSR activities, such as philanthropy or sustainability initiatives, has enhanced a company's reputation. When PT Samudera Indonesia Tbk demonstrates a commitment to social and environmental issues, it is seen as more trustworthy and socially responsible, which boosts its brand image.

2. **Positive Public Perception:** Consumers and stakeholders often view companies engaged in CSR more favorably. People prefer to support businesses that contribute to the well-being of society. A positive public perception can translate into increased customer loyalty and brand preference.

Differentiation: In competitive markets, CSR can help a company stand out. When a brand is associated with meaningful social or environmental causes, it differentiates itself from competitors, potentially attracting a more dedicated customer base.

Attracting Talent: CSR initiatives can be a valuable tool for attracting top talent. Employees, particularly millennials and Gen Z, are increasingly looking for employers with a strong commitment to social responsibility. A company's CSR efforts can make it more appealing to potential hires.

Risk Mitigation: Addressing social and environmental issues through CSR can help mitigate certain risks. For instance, by proactively addressing environmental

concerns, a company can reduce the risk of future regulatory actions or public backlash.

Improved Relationships with Stakeholders: CSR activities often involve engaging with various stakeholders, including local communities, NGOs, and government agencies. Building positive relationships with these groups can enhance a company's overall reputation and brand perception.

Long-term Sustainability: CSR initiatives that focus on sustainability and responsible business practices can contribute to a company's long-term viability. This, in turn, can enhance the brand's image as a responsible and forward-thinking organization. PT Samudera Indonesia Tbk not only comprehends this but takes this as one of the focus in the business by forming specific divisions for the CSR projects.

3. **Consumer Loyalty:** Customers are more likely to remain loyal to brands that align with their values. When a company supports causes or issues that resonate with its target audience, it can foster deeper customer loyalty.

Media Coverage: CSR initiatives often attract media attention, providing an opportunity for positive news coverage. This can help spread the message of the company's commitment to social responsibility and strengthen its brand in the eyes of the public.

Financial Performance: While the primary goal of CSR is to make a positive impact on society, it can also lead to improved financial performance over the long term. As consumers increasingly support socially responsible businesses, this can result in increased sales and profitability.

It's important to note that the effectiveness of CSR in strengthening a company's brand depends on the authenticity and sincerity of the efforts. CSR activities should align with the company's values and be more than just marketing tactics; they should genuinely contribute to social and environmental well-being. When done thoughtfully and with a long-term perspective, CSR can be a powerful tool for building and strengthening a brand

Conclusion

Incorporating Corporate Social Responsibility (CSR) into a business model involves aligning the companies with ethical, social and environmental considerations. CSR Programs should be designed to create a positive impact on society and environment, furthermore it will also be contributing to the company's business success and also company longevity in the future. PT Samudera Indonesia Tbk is committed to implement sustainability in CSR. This is embedded in the social activities that have been done with its CSR team members.

From all the CSR activities, the company can help many people while developing the ecosystem to gain the positive social impact and also strengthen the ocean and marine ecosystem and its industry while continuing in serving shipment and cargo service all around Indonesia.

Recommendation

Often, we know that CSR activities are considered simply as complementary activities, as a means of eliminating the

company's obligations because they are indeed regulated by law. CSR is often seen as a means of expending funds into the environment and utilized by the society, environment and local communities without understanding the true essence of CSR.

CSR should extend sustainability and has to give a positive impact not only for the environment but also impact for the business operation sustainability. CSR underwent several evolutions until finally a new way was found, namely through the CSV (Creating Shared Value) approach. CSV according to Porter and Kramer, 2011, cited in the book of “Lead to CSV” by Mas Achmad Daniri, is defined as an operational policy that increases a company's competitive value and simultaneously advances social and economic conditions.

PT Samudera Indonesia as we see is going there into the CSV approach where they have the program to nurture future leaders for the shipping industry. Further movements are suggested to sharpen the CSV approach as the new main focus for the CSR Division in PT Samudera Indonesia. Where all the programs were calculated and give impact to the business opportunities, social

needs and corporate assets, to change the world through the changes of the new style of capitalism.

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PT Samudera Indonesia Tbk “Annual Report of 2021”

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Lead by CSV, Creating Shared Value, Mas Achmad Daniri

CHAPTER THREE

A Case Study of PT Paragon Technology & Innovation

Hans Hanpin Yoshuara

Meliyani, Gemilang Ramadhan Santoso, Handito Pramukya

Daniswara

Sekolah Tinggi Manajemen IPMI

Abstract

The paper aims to study good corporate governance and how a business carries out its activities and functions. Different criteria are there to see if an organization is good in corporate governance and business practices. This paper has taken three frameworks to see if a company implements them. These frameworks include ESGRC, CSV, and CSR. These frameworks assess if a company cares for the environment and implements sustainable practices. As the case study, this research has chosen

an Indonesian beauty company, PT Paragon Technology and Innovation. The methodology adopted in this research is to see how the company implements these frameworks, as mentioned in previous lines. The focus is on responsibility towards the environment and responsible use of ingredients and raw materials. The company has an explicit strategy of working towards environmental stewardship. For example, it has been working on waste management and providing clean water. Regarding CSR, the company has more robust and well-integrated plans involving education, women empowerment, health, and the environment. It implies that the company is proactive and ahead of societal trends and expectations. However, there is considerable room for recommendations in that it should work towards sustainability in packaging material. It should also work towards employee development with a focus on sustainable practices. Moreover, sustainable development goals and similar international agreements and frameworks should be the focus of the company. A proactive and well-prepared strategy towards sustainability is especially needed when the world climate is at risk, and civil society associates many expectations from businesses to be responsible.

Keywords: *Corporate Governance, Sustainability, Sustainable strategy, ESGRC, CSV, CSR, PT Paragon Technology, and Innovation*

Introduction

PT Paragon Technology and Innovation is a prominent company in the cosmetics industry of Indonesia. The company is known for its specialization, and its brands are popular among cosmetics enthusiasts. The company has some unique specialties beyond its usual business activities. For example, manufacturing of cosmetics brands is its core business. However, it acts and performs responsibly while pursuing its organizational goals and objectives. This paper has chosen the company to know if it is working as per sustainability effectively. Its vision and mission statements note that corporate social responsibility, earth sustainability, waste management, and relevant sustainable practices are already present. It makes the company worth studying through the lens of corporate governance and sustainable development goals. This paper will study the company and its actions towards sustainability as employed in its operations naturally. It has led to a focus on implementing ESGRC, CSV, and CSR activities. Before this focus, the company's structure, corporate governance, introduction, and sustainability strategy have enough information to make the context (Chen, Dai, & Na, 2019). It notes that the company has

been implementing sustainable practices proactively, making it a pioneer and ahead of other companies in similar and other industries. It also makes the company worth following.

Sustainability and environmental stewardship are no longer an option but have become inevitable. The world has been experiencing climate change and global warming. The climatic crisis is unprecedented globally, and it has raised concerns from different segments of society. The business sector is further under pressure because it is one of the primary producers of harmful substances in the air. Therefore, this research has chosen the company to know how it has implemented sustainability and relevant activities in its operations and activities. The reason for taking this company is its preparedness for environmental stewardship and social responsibility.

This paper first explained the company and its basic information. This section has set the context that informs that the company is responsible. It has been carrying out activities successfully towards the environment and its improvement. Then, it implements different concepts and frameworks of sustainability if the company implements them. As a result, the paper has enabled the application of these relevant procedures and concepts in its operations. A prominent aspect of the company is its area of

operation, the cosmetics industry. Usually, companies in this industry need to give innovation a priority. Sustainable practices are also not their priority. However, the chosen company gives sustainability priority, which makes it suitable for further study, and this research has done this job.

Company Profile

Paragon Technology and Innovation was founded in 1985. Initially, its name was PT Pusaka Tradisi Ibu, and it started its operations with the pioneer brand, "Putri." The company's current name replaced the previous name in 2011, and the company has been known by its new name since then. The company started its business with a visionary mindset and announced the tagline of its first-ever brand as "Salon's Best Choice." Later, the company launched more brands, such as Wardah Cosmetics, in 1995. The next new brand launched, the Make Over brand, in 2010 and 2015 brought the Emina brand to its customers. The latest brand launched by the company is the Kahf brand in 2020 (ParagonCorp, 2023).

Company's Brands



Figure 3.1 PT Paragon Technology and Innovation, 2023

The company has been developing and growing gradually and continuously since its inception in 1985. The above paragraph has noted that the company announces new brands after some years, usually five years. It shows how the company engages its customer base and offers new products for its target market. The company boasts of adopting "Good Manufacturing Practices" and a "Halal Assurance System" while manufacturing its brands. The company has outlets across Indonesia and is the market leader in its business category. Approximately the company manufactures and markets more than 185 million units annually. The company adopts an end-to-end process that starts

from ideation and ends at the production of final products. The company works in the cosmetics sector but has adopted a unique value proposition focused on innovation, persistence, and continuous improvement.

The company is known for its CSR and environmental stewardship. It ensures earth sustainability and utilizes resources rationally and responsibly. It has put the company ahead of its competitors, and its focus is comprehensively on business and non-business activities. One aspect is worth noting: the company is national and has many locations across Indonesia (Rahman, Tari, & Mulyati, 2023).

The company employs many employees and focuses on exclusive brands developed for customers. Another prominent aspect of the company's products is its halal certification that they are made of halal ingredients. The company earned certifications across different areas of business in which the company is involved. This profile shows the company focuses on the cosmetics category, which is prominent in it.

Paragon at a Glance

Paragonians

With more than 10,000 employees that we call **Paragonian** all over Indonesia and Malaysia, we keep on innovating for better products, programs, and ways of working to create more goodness to the society.



>10000

Paragonians



41

Distribution Centers



>200

CSR Partners



>1600

SKU Products

Figure 3.2. Source:(PT Paragon Technology and Innovation, 2023)

Vision Mission & Value Company

Paragon Technology and Innovation has a dedicated vision based on innovation. The vision emphasizes two prominent attributes: corporate governance and continuous improvement. It implies that the company envisions being the best in governance practices and believes in continuous improvement. The reflection of this vision is in high-quality products. The vision hints at stakeholder orientation and that the company aims to benefit its employees, Paragonians, partners, society, and the environment.

The company has presented a seven-point mission statement that follows its strategically vibrant and enthusiastic

vision. The top of the mission is to develop its employees through development and offering them competitiveness. The second point in the mission statement focuses on customers and that the company listens to customers beyond their expectations. The third point concerns processes and operations and the company believe in continuous improvement to ensure innovation and greater product quality.

Our Mission



Developing Paragonians

We continuously learn and develop competent Paragonian with competitive advantage



Preserving the Earth

We try our best to protect the earth sustainably as it provides all we need to live.



Creating Kindness for Customers

We listen to customer needs and create products beyond customers' expectation



Supporting Education and Health of the Nation

We support the development of new generations through development of human resources to be knowledgeable, experienced and healthy



Continuous Improvement

We constantly innovate in every process to improve our product quality



Developing Business

We expand our ranges of products, services through business expansion



Grow Together

We work together with business partners for mutual benefit

products that benefit the Paragonians,
partners, society and the environment.

Figure 3.3 The Mission

The fourth point states that the company is dedicated to stakeholder orientation that focuses on growing together, drawing mutual benefit for all. The next point displays emphasis on the environment that the company ensures the earth's sustainability. The sixth point of the mission statement is more ambitious in that the company aims to develop human resources by providing knowledge and experience to the nation. The last component of the mission statement states that the company focuses on developing the business by introducing new products and services so that its business expands (Paragon-innovation.com, 2023).

The company has offered values that govern and guide its practices. Values develop a context to follow the mission and vision set by the company. The first value is faith in God, the second is showing care for others through the display of togetherness and compassion, and the third is humility. It implies that the company develops a culture where it embraces the weaknesses and strengths of everyone. It shows exclusivity and togetherness, where everyone contributes to organizational goals and objectives. The fourth value is grit, implying that the company's employees, Paragonians, live with great joy and willpower. The last and dominant value that the company has got is the focus on innovation. Innovation allows the company to

meet customer expectations through proactive delivery of services and product development.

Paragon Technology and Innovation's mission, vision, and values have the dominant feature of innovation and continuous improvement through collaboration and regard of employees called Paragonians. The company fosters a climate and working culture that helps it to pursue its ambitious vision and mission. Clear and dedicated values help the company to steer its path toward the vision.

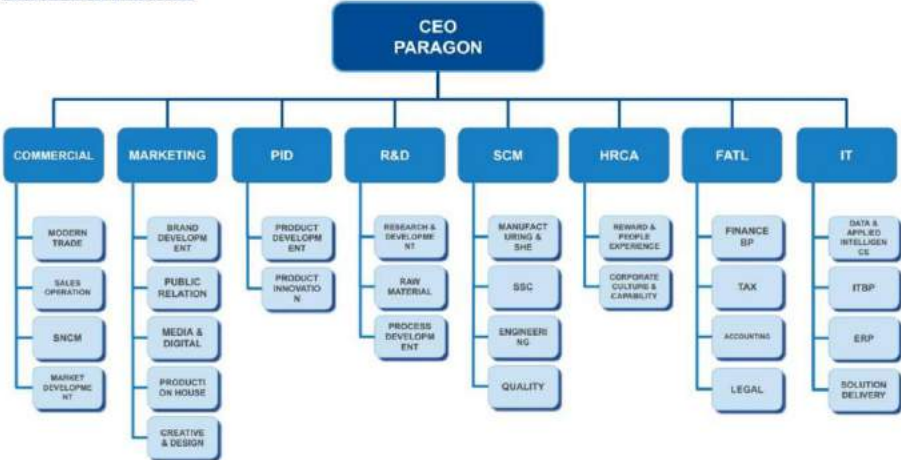
**Figure 3.4 The Core Values
Structure & Corporate Governance**

Our Core Values

- ① **Faith in God**
Paragonian believes in the existence and power of God
- ② **Care**
Paragonian upholds the value of togetherness and compassion
- ③ **Humility**
Paragonian realizes that everyone has strengths and weaknesses
- ④ **Grit**
Paragonian lives a life with great joy and willpower
- ⑤ **Innovation**
Paragonian always develops new and better things to meet and exceed customer expectations

The company's structure and corporate governance strategy relies on four tiers. The top tier consists of the board of commissioners. This body oversees the company's management and ensures compliance with the law. It is mandated to see if all departments and bodies follow company rules and the national laws. Therefore, its role is crucial and works on the corporate level. The company has few members on this board as the number of commissioners is only five. The second tier is the board of directors, responsible for day-to-day management. The team of management is there to run the company's affairs, and the board of directors is more strategic and supervisory. The board of directors are an appointed body, and the board of commissioners decides who should be the board member.

PARAGON
ORGANIZATION STRUCTURE



Commissioners and the board of directors have the supervisory and overseeing eye on the management. However, the audit committee has exclusive powers and is responsible for doing this. The main focus is to oversee financial reporting and internal controls to ensure audit of financial reporting and internal controls. The fourth tier in the structure and corporate governance is the management responsible for implementing decisions made at the top. The board of directors makes strategic and corporate-level decisions. The management is responsible for their implementation. It carries out day-to-day activities and works towards the vision and mission of the company. The head of management is the President Director and the Vice President Director.

The company's corporate governance structure ensures compliance with the law and policies made at the top. The legal framework ensures that every company has implemented policies and procedures to ensure corporate governance practices are implemented. The company follows the code of conduct for directors and those working in any position or role. The company has whistleblowing, conflict of interest, financial reporting, and internal control policies. These policies ensure functions are as

per the policy, and all stakeholders benefit from the company's actions.

The company has taken some steps to ensure corporate governance and efficient practices. One of the company's salient features is the separation of power and responsibilities between bodies. For example, the board of directors, commissioners, and management have separate responsibilities and roles. Usually, there are three tiers responsible for running the company's affairs, but the company's whistleblowing policy lets employees report their concerns about any wrongdoing happening. Appointment of independent auditors and training opportunities for officers and employees allow them to give their best to the company. It implies that the company has been working in the industry because of this great structure and efficient corporate governance practices.

Sustainability Strategy

The company's sustainability strategy has been explained through the corporate social responsibility strategy. The CSR strategy contains comprehensive components: education, health, women empowerment, and environment.

The scarcity of information about the company can be problematic, but the company's website needs to detail more

information about sustainability and social responsibility. Earth's sustainability has also been mentioned in the company's mission statement and values. The main focus of the company's sustainability strategy is to show commitment to the environment (Aws.amazon, 2021).

The company has shown and practiced its commitment to preserving the earth. For this purpose, the company has a strategy of collaboration with different environmental organizations. This strategy effectively does things with expertise and aligns with the strengths-based approach. The sustainability strategy's other component is engaging with the general public.



Apr 26, 2022

Save Your Skin, Save The Planet with TAVI!

It implies that the company believes in participation and cooperation from the society. It also aligns with the company's mission and values, indicating the stakeholders' focus. Society & customers are prominent stakeholders, and the company engages with them (Paragon-innovation.com, 2023).

It has benefited the company as collaboration, participation, and stakeholder engagement are features helpful to achieve desired outcomes. These sustainability strategy components align with this issue's nature, and the company should collaborate and partner with stakeholders. The company is one of the largest beauty and cosmetics companies in Indonesia. Three main activities under sustainability strategy are its focus. Being a cosmetics and beauty company, it must need ingredients that can have an adverse impact on the environment. The first such activity is clean water, as it provides clean water to society.

Moreover, it also has a clear policy on using water sensibly and responsibly so that it is not wasted. This means that the clean water strategy has two components. First, it provides clean water to the general public. Secondly, it responsibly uses water, showing the company's commitment to not wasting resources.

The company engages in waste treatment as well. A business produces large amounts of waste that pollutes the environment and surroundings. Treatment of waste has different forms. First, it turns waste into a product of some utility. Second, it recycles it to enable its reuse. Collectively, these sustainability initiatives focus on environmental preservation. These initiatives are in addition to the company's sustainable practices in producing and developing its products. Working with the community and engaging with people offer opportunities that enable these three sustainability initiatives introduced by the company.

Growth Areas and Market Challenges in Implementing ESGRC

ESGRC refers to environmental, social, governance, risk, and compliance. It is a framework that can set the foundation for a good direction in the sustainability domain. The organization can face risks and compliance paradoxes, but it should depict its resilience to move forward and become responsible. PT Paragon Technology and Innovation is one of the biggest cosmetics companies in Indonesia. The firm has sustained a good brand image and market reputation in an intense rivalry. It seems imperative to discuss growth areas and market challenges when

implementing ESGRC. The illustration with valuable insights and implications is as follows.

Growth Areas

PT Paragon can set the foundation for sustainable product development to create influence at the social and environmental levels. It is the best time to develop more eco-friendly measures in its product development function. For instance, this organization always has the potential to use recycling technology, reduce complicated packaging processes, and become energy-conservative in all its operations. The conservative and efficient manufacturing process can support sustainable product development. Maintaining the green supply chain is also one of the visible growth areas. The management can enhance collaboration with suppliers to evade the negative impact on climate. The combination of sustainable transportation and packaging can make a difference. Employee engagement is also a good source for implementing ESGRC. The organization is looking to take sustainable initiative, but it is only possible with engaging employees. Sustainability training has become critical for PT Paragon technology. Sustainability training can enhance skills and capabilities, allowing employees to participate in several (sustainability) projects. Investing in communities,

especially disadvantaged ones, is also a key growth area. The company can support projects that lead to a good environment and contribute to healthy lives.

THE WARDAH PHILOSOPHY

HALAL GREEN BEAUTY



HALAL



NATURAL



ALCOHOL
FREE



LOCAL & GLOBAL
EXPERT



CRUELTY
FREE

Integrating with Sustainable Development Goals

These growth areas interrelate with sustainable development goals. PT Paragon can integrate with **SDG (12)**, as it is all about liable consumption and production. Sustainable production protocols and consumption have become critical for this cosmetics giant. The green supply chain also aligns with the same SDG. However, the green supply chain is advanced and connects **SGD (13)**. It is about climate action. Sustainability initiatives in the supply chain can help to evade negative climate

change. Reducing the impact of climate change is the right approach and embedding **SDG (13)** in the implementation process is the way to move forward (French & Kotzé, 2018).

Interestingly, the growth area "employee engagement" also interrelates with **SDG (8)**. It refers to decent work and economic growth. PT Paragon aims to have a productive and involved workforce. Employee engagement is possible if the organization establishes an inclusive workplace and decent working conditions for women and men. Eventually, in the community investment growth area, the firm integrates with **SDG (11)**, referring to sustainable cities and communities. The intention is to make urban areas safer, inclusive, sustainable, and resilient in multiple ways (Browne, 2017).

Paragon raih peringkat 1 "Environment Award 2023" oleh BPOM RI

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Market Challenges

PT Paragon can face some market challenges, hindering the implementation process. For instance, cost is one of the daunting aspects. The firm can find the cost of implementing ESGRC high. Of course, it must cut its profit margins to invest in sustainability projects or initiatives. Currently, the business needs more awareness regarding the significance of ESGRC. Limited knowledge and awareness can lead to implementation paradoxes. The cosmetics industry is highly competitive. Many businesses

contain competitive advantage based on market share, product quality, product portfolio, and sales. However, the competitive advantage is always in jeopardy for a while if the firm initiates sustainability projects. Eventually, there may be regulatory issues or complications. Governance, social, and social legislation (regulations) can influence the firm's operations. Complicated and expensive regulations can hit the firm hard. So, it must boost its capability to exist in the stringent regulatory climate (Hadiwidjaja, 2023).

Implementing ESGRC

Despite these daunting challenges, the implementation process is probable. First, concerning the environment, PT Paragon must initiate the recycling process. The current packaging process seems conventional. Using recycled material in packaging is a fine way to reduce the impact. Again, employee engagement is critical, as it must contain skills and expertise to run this new operational domain. Besides, considering renewable energy and water conservation in production are great initiatives. This implementation should have key measures or performance indicators to make changes and become relevant.

Improving the social aspects of the business is also crucial to validate responsible business. Internally, PT Paragon must provide fair wages and related compensation to its employees. Eliminating bias in compensation and bringing equality into the workplace is a great social contribution. The company can start by increasing the number of women in the workplace to depict an inclusive culture and equality. Also, externally, the company can enhance the support for local communities. "Giving it back to the community" is fine, and targeting the disadvantaged communities in Indonesia is the best way. The current governance system has been fine, but areas for improvement are in the limelight. The organization must have diverse directors instead of promoting nepotism and favoritism. A diverse board of directors can depict autonomy and accountability in many ways, which can improve the overall governance system, especially when implementing sustainability. Finally, PT Paragon is looking to identify risk by using an effective risk management process. The management can recognize its risks regarding likelihood, impact, and possible mitigation. The management can conduct consistent social and climate risk assessments to identify flaws and opportunities. This information can set the ground for better execution of the risk management process (Paragon-innovation.com, 2023).

Strategic Alignment

The firm intends to connect this implementation process with its vision and mission. The firm's vision is to have the best corporate governance and continuous improvement. It is all about making each day better than before. Quality products are drivers of the impact on partners, society, the environment, and Oregonians. Similarly, PT Paragon is looking to justify the strategic alignment by incorporating key facets of its mission into implementation. The mission indicates the development of Paragonians, kindness for clients, consistent improvement, growth, preserving the earth, supporting communication, and developing business. Thus, creating a balance between business and sustainability is the perfect way to justify the effective implementation of ESGRC (Lynch, 2021).

CSV (Create Shared Value (Total Sustainable Business Ecosystem))

Creating shared value is one of the prominent concepts in the sustainability discipline. The most important thing is to bring excessive economic value to the organization by preserving social and environmental considerations. PT Paragon aims to recognize pertinent issues in society and the environment. These issues are

relevant in the beauty or cosmetics industry. The firm has identified issues of quality, waste, community, sourcing, and well-being. This identification can improve the sustainable business strategy, initiatives, and implementation. Establishing a sustainable business ecosystem is a new need in this modern business era, especially in the cosmetics industry. PT Paragon is looking to create shared value in several ways. The brief illustration is as follows.



May 17, 2022

**Paragon Educational
Ecosystem: Advancing The
Society Welfare through
Improving The Quality of
Human Resources**

Responsible Sourcing of Ingredients

PT Paragon can establish a sustainable business ecosystem by initiating the responsible sourcing of ingredients. Despite the advantages of conventional material sourcing, the firm needs to look at the larger picture and use ethical and sustainable ingredients in product development. When operating at the local or global level, the most important thing is to enhance

the collaboration or partnership with the local communities to make ethical and sustainable sourcing more probable. The firm will streamline the fair-trade practices and boost the support for the small businesses (farmers). The selection of suppliers must be liable and ethical instead of just considering business benefits in the whole supply chain. It is the base for the total suitability ecosystem, which can open new ways for other facets of sustainable business in the cosmetics industry (TheExpressWire, 2023).

Product Innovation

PT Paragon should contain product innovation instead of just emphasizing the current product portfolio and customer benefits. There is a need to develop more organic, environmentally friendly products and less harmful to people's skin. Eliminating the harmful or toxic chemicals from the products is a fine way to move to sustainability, and sourcing can help to make a difference. Also, the firm will work on a new packaging solution to reduce waste material and open space for recycling. Innovative culture in the internal business climate is the best source for product innovation, and PT Paragon is up to it (Abe, Bassett, & Dempsey, 2012).

Community Empowerment and Engagement

The organization will enhance community empowerment to achieve the total sustainability of the ecosystem. For instance, when operating in the country, the management can find communities in the neighborhood and provide adequate employment opportunities. The cosmetics industry is growing in the country, and adequate training for the local communities can make high employment more probable. Promoting education and training related to the industry is the best consideration. In this context, the organization seeks to support local artisans and communities in multiple ways. The cosmetics industry at the global level has evolved in terms of sustainability (Leitão, Alves, Krueger, & Park, 2018).

Healthy and Safety Initiatives

Health and safety initiatives are in the spotlight in the modern cosmetics industry. PT Paragon can emphasize health and safety at the customer level. Of course, the Indonesian cosmetics industry faces some regulatory standards. Consequently, it is the best time for the company to streamline and optimize its product labels. It shares the ingredient information with customers through labeling and other channels to contribute to health and safety.

Diversity and Inclusion

The total sustainability of a business ecosystem will be highly probable if the organization concentrates on diversity and inclusion in both internal and external business climates. The current marketing level has been traditional, as the company emphasizes product portfolios. Marketing channels can optimize diversity, especially in campaigns. The diversity element is always in the loop when reflecting on skin tones, hairstyles, and many other beauty aspects. It signifies that PT Paragon is moving to the socially responsible business instead of sticking to biased behavior or actions in its marketing campaigns. Reducing or evading the negative climate impact is paramount in the modern cosmetics industry. As discussed in the above session, the firm will use renewable energy sources and water conservation approaches in production. Starting from energy efficiency is the best consideration.

Collaborating with NGOs & Circular Initiatives

Enhancing collaboration with non-profit organizations is also a good option to contribute to the sustainability ecosystem. In Indonesia, several organizations may strive for conservation, community development, women empowerment, and many other causes. The combination of social and sustainability initiatives by

collaborating with these NGOs can be carried out to make the business responsible and sustainable. The firm is more than capable of taking circular economic considerations. For example, this cosmetics giant will initiate the take-back program. People or customers can return the products instead of wasting or disposing of them. It can open more space for recycling and even refilling. Reducing waste and boosting liable consumption are two important facets of the total sustainability ecosystem (Auwalin, Rumayya, Sari, & Maulida, 2022).

Employee Well-Being and Transparency

The internal business climate also requires some good initiatives related to the employee's well-being. The management will justify the total sustainability of the business ecosystem by setting the substance for the inclusive workplace setting. Leadership can play an important role, as it can be democratic and participative. The management can analyze the internal business climate gap to boost skill development and growth. PT Paragon Technology will ensure transparency and communication in the internal business climate. The most important thing is to communicate the efforts related to transparency to employees, suppliers, and customers. Several channels exist, such as labeling,

website, and social media campaigns. The firm can share the progress and earn high trust (Russ, 2023).

Partnership with Stakeholders and Vision Alignment

Partnership is critical. PT Paragon can ensure the total sustainability ecosystem by boosting partnerships and collaboration with suppliers, retail chains, and customers. Enhancing the partnership in the whole value chain is the best way to contribute to establishing the sustainability ecosystem. This company will ensure an inclusive supply chain. Collaboration with suppliers and partners is necessary to support and ensure fair labor practices. In the inclusive supply chain, the firm can preserve ethical sourcing in the whole supply chain. The organization's current vision has been effective and can be embedded with the new sustainable strategy. Nonetheless, the company can make its vision for the long run. The key assumption is that the organization can consistently assess or evaluate its justifiability strategy to align with its vision and become relevant (Mohamad & Chin, 2018).

These are some strategic considerations that PT Paragon has incorporated to contribute to the total sustainability of the business ecosystem. The business seems profitable, but the firm needs to think out of the box to get things in its favor.

Corporate Social and environmental responsibility (CSR)

Corporate social responsibility is one of the prominent concepts in modern business. These concepts stress the social and environmental impact beyond the financial aspects of the business. The business intends to maintain moral (ethical), responsible, and sustainable ways to contribute to social and environmental well-being. The illustration of the CSR in the context of PT Paragon Technology and innovation is as follows.

Currently, PT Paragon has concentrated on four key areas. These four key areas include education, environment, empowerment, and community development. Concerning education, the firm has supported education programs through scholarships. Apart from this, the firm is also looking to enhance teacher training and infrastructure improvements. Concerning the environment, the company has reduced its environmental impact by boosting recycling, enhancing water conservation, and waste reduction. The company has taken several initiatives to empower women and the young population regarding the environment. The combination of training, financing, and entrepreneurship opportunities is in the limelight. Eventually, PT Paragon strived for community engagement and development. Several community development programs are spotlighted, especially

regarding sanitation, infrastructure, and health (Haynes, Murray, & Dillard, 2013).

Education

Education has been one of the primary facets of the CSR of PT Paragon. The company perceives that education is one of the fundamental building blocks for the nation. The firm has strived for better education in the country by initiating effective teacher training, parenting, infrastructure improvements, scholarship, and leadership development. The company has realized that education can contribute to the quality of human resources. The firm intends to make



EDUCATION



HEALTH



WOMEN
EMPOWERMENT



ENVIRONMENT

Paragonians comprise excellent knowledge and develop a mindset. Making Indonesia a better country through better education is the main assumption, and all steps or initiatives by PT Paragon revolve around it. PT Paragon has strived for the education world, which has become possible by bringing equal access to education. Inequality in the education sector is one of the main hurdles in developing the nation and having quality human resources in the internal business climate. PT Paragon has broken this paradox and set the foundation for a well-educated society. For example, the company initiated the "Wardah Inspiring Teacher" program along with the "Lecturer Coaching Movement" and Inspiring Lecturer Paragon. The firm has executed the Wardah program since 2016. The program's success is in the spotlight because more than 1,500 teachers have been included in this education program (Businesswire.com, 2020). These teachers are motivated educators, and it improves their capabilities to become good teachers for students in the country. It worked incredibly well in Covid-19 when distance learning became a reality. The lecturer coaching movement has been in the spotlight to support and encourage Indonesian education. It streamlined the coaching method which has been adopted in PT Paragon. Students are finding meaning and purpose in their lives

through these programs. Also, inspiring lecturer Paragon is famous, as it is a capacity-building approach for lecturers. They are better positioned to become or emerge as a change agent in the education sector {Neuhaus, 2021}.

Health

PT Paragon is more than capable of contributing to the health of Indonesia. It indicates excellent commitment. PT Paragon has also successfully held several programs, including Cancer Education and Early Detection with the Yayasan Kanker Payudara Indonesia (YKPI) and the Yayasan Kanker Indonesia (YKI). They also support the operation of shelter homes for



chronically terminally ill children from low-income families and educate them to be aware of the importance of clean and healthy living behavior (Gunandar, 2022).

During the COVID-19 pandemic, PT Paragon through Wardah is holding the #LangkahBaikmuBerarti campaign. This program is committed to contributing by reviewing it periodically to help handle and control the COVID-19 pandemic based on Indonesian citizens' priorities and needs by giving health funds to several parties such as hospitals, local governments, and social organizations (Rachman, 2021). Later, these funds (Around 40 billion rupiah) will be used to fulfill the need for medical equipment such as Ventilators, Monitors, Bed Sets, Video



Laryngoscopes, Infuse Pumps, Syringe Pumps, EKGs, Mobile Xrays and other medical equipment for Persahabatan Hospital, Pelni Hospital, RSPI Sulianti Saroso, RSAB Harkit, RSCM, RSUP Dr. M. Djamil Padang, as well as several other hospitals. Paragon has also provided personal protective equipment in the form of N95 face masks and PPE Gown/Coverall which have been distributed to more than 40 hospitals in Indonesia and health organizations such as WeCare.id (Akhmad, 2020)

Women Empowerment

Women's empowerment has been a critical aspect of corporate social responsibility. The firm has developed a women empowerment program, especially in distant or rural areas. The intention has been to help women to develop the necessary skills and move forward in society.

Many women in remote areas have started small businesses based on this program, validating its effectiveness and essence of CSR. Apart from that, PT Paragon has started the female



entrepreneur program. Ensuring access to entrepreneurship

options at the women's level is the key essence of this program. Women are starting the business and moving forward in society with reasonable contributions. This program has helped to break stereotypes in conservative society. Women's leadership programs and women's health programs are also apparent. Women are getting education and training in leadership, entrepreneurship, and finance. Women's leadership skills can help to reduce the gender gaps in leadership positions, especially in the corporate sector (Weber & Wasieleski, 2018). Some of



Paragon's women skills programs include a Professional Make-Up Artist (MUA) Training for Sahabat Tuli (the deaf) program. PTI is a women's solidarity movement community that focuses on humanitarian issues and the

development of MSME established in 2020. This ensures that the disabled are trained to be professional make-up artists ready to face the job market.

Environment

CSR has become dynamic due to the firm's initiatives regarding the environment. As discussed, the firm has shown its commitment to water conservation in many ways. The company reduces water usage in its water conservation program in many manufacturing or production domains which can be used as water for flushing plants and flushing toilets, as well as the use of renewable energy in the form of solar panel installations which also supply the electricity needs of the Paragon factory. Then there are recycling results from Paragon packaging products which are used as furniture, as well as TAVI products which are environmentally friendly because they use natural ink in their packaging, and use cardboard that can be recycled without additional glue, making the recycling process more accessible (Khoirunnisaa, 2023).



Recommendation & Conclusion

The paper concludes that PT Paragon Technology and Innovation has been successfully doing business in Indonesia in the cosmetics industry. The company was founded in 1985 and has presented different brands to the target market. The structure and corporate governance practices are professional and strategically viable. It has achieved many milestones and goals over its history through strategic focus and specialization in the cosmetics industry. The paper has explained how the company has been using environmental, social, governance, risk, and compliance frameworks. It has also noted challenging areas in this respect that the company faces challenges in implementing this framework. Before examining the framework's application, the paper has noted the company's sustainability strategy. The company has been focusing on stakeholders and participation from the community in following sustainability objectives.

The report aimed to know how the company has been implementing ESGRC, CSV, and CSR activities in its operations and business activities. The company has been doing well in terms of these dimensions. It has earned certifications and applied innovative practices to manufacture its cosmetic and beauty products. On the one hand, it has the certification of halal

products, and the other side of its business is an example of environmental stewardship. Earth sustainability is the focus that implies the company focuses on causing the least level of waste and harm to the earth. Some activities like waste management, provision of clean water, and sustainability in operations prove the company is dedicated to sustainable practices. However, it should be more innovative and proactive, especially when the focus on sustainability and environmental stewardship has increased. The company's CSR activities towards society and different segments are well integrated and connected with the overall organizational structure and operations. However, there is room for recommendations, which are as follows.

The paper has praised the company for its sustainability initiatives and focuses on the chosen frameworks and concepts. However, the paper recommends the company be proactive in sustainability initiatives and steps towards all stakeholders. For this purpose, the company should prioritize the community and all internal and external stakeholders. More than sustainable and social responsibility practices around the core business is needed in the long run. Critics and common people expect companies will be more proactive and aggressive to counter the adverse impact

of their operations. The company should realize this need and should take relevant steps accordingly.

The company should focus its innovation on sustainable practices and product development. For example, innovation should focus on developing sustainable and recyclable packaging material. Similarly, the focus on sustainability should start with internal operations and activities. It should start with the use of energy and layout. Every aspect of the company's operations should have environmental responsibility and consideration of green practices. This is how the company will be ahead of the trend that fosters the need for sustainable practices.

The paper recommends that the company adopt sustainable development goals and international treaties. For this purpose, it should focus on employee well-being and responsible activities and operations. An example of focus is on employees, and the company should give enough value to employees and their development. Employee well-being can be in terms of their training towards sustainable practices, and it can also be in terms of taking care of them.

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CHAPTER FOUR

A Case Study of PT MEDCO Energi International

Adinda Cresheilla, Andaru Putra

Fadhli Erlanda, Magiana Ignasia Sinaga

Poetry Ken Savitri

Sekolah Tinggi Manajemen IPMI

Abstract

Given the pressing environmental issues, there is a growing expectation for companies to take proactive measures in reducing greenhouse gas emissions and advancing toward net-zero objectives. Medco Energi's CSR initiatives offer a compelling case study that demonstrates how a prominent energy firm aligns its operations with sustainability goals. The research delves into the multifaceted CSR strategies of Medco Energi,

which encompass environmental stewardship, community involvement, and responsible governance. It investigates the company's endeavors to combat climate change, diminish emissions, and transition toward a sustainable energy future. Through a comprehensive analysis of Medco Energi's CSR practices, this study elucidates the mechanisms by which businesses can simultaneously generate shared value by harmonizing societal and environmental concerns with economic growth.

This paper underscores the significance of Medco Energi's dedication to climate action as an exemplar for other energy corporations and highlights the potential of CSV in promoting sustainable development while addressing urgent global challenges. By scrutinizing Medco Energi's journey toward emission reduction and net-zero objectives, this research offers valuable insights to the ongoing discourse surrounding CSR in the context of climate change mitigation.

Keywords: *Sustainable Energy, Climate Change Mitigation, Corporate Social Responsibility*

Introduction

Company Profile

PT Medco Energi is one of publicly listed oil and gas companies in Indonesia and owned by the Panigoro family. The company has changed from a drilling company to one of leading oil and gas companies in South East Asia. The company is focusing on three key business segments, Oil & Gas, Clean Power and Copper Mining. Medco Energi produces oil & gas primarily in Indonesia with an increasing international presence. The Group operates gas, solar PV, geothermal and hydro power plants in Indonesia through Medco Power and owns a non-consolidated interest in a large Indonesian copper and gold mine, Amman Mineral Nusa Tenggara (AMNT).

Medco Energi has interests in 14 oil & gas properties in Indonesia, 12 of which are producing. The Company also has interests in 11 international oil & gas properties. Medco Energi retains key producing assets in Oman, Vietnam, Thailand and Yemen and additional development assets in Libya and Tanzania. In 2022, oil & gas production was 163 MBOEPD, with a composition of 79% gas and 21% liquids. Unit costs were USD

6.9 per BOE, within the Company's long term sub USD 10 per BOE commitment.

Medco Energi, through its wholly owned subsidiary Medco Power Indonesia, promotes clean energy via its operated gas, solar PV, geothermal and hydro power plants in Indonesia.

In 2022, the company also finalized Corridor PSC acquisition from Conoco Phillips Indonesia and signed a Gas Sales Agreement with Gas Supply Pte Ltd. Singapore to continue supplying gas from the Corridor PSC. Completed progress on several development projects in the South Natuna Sea Block B PSC. The Hiu field was placed into service in June and first gas on Malong and Belida fields in December.

Medco Energi is committed, in its Climate Change Strategy, to reach net zero greenhouse gas (GHG) emissions for Scope 1 and 2 by 2050 and Scope 3 by 2060. In 2022 the Company set interim targets for 2025 and 2030 for Scope 1 and 2 reductions, as well as for cuts in methane emissions and increases in renewable capacity.

Over the past four years, Medco Energi has worked hard to strengthen its ESG performance and in 2022 was included in the IDX LQ45 Low Carbon Leaders¹, a new index published by the Indonesia Stock Exchange.

Vision, Mission, Corporate Values

Vision

To be the Energy Company of Choice for investors, shareholders, partners, employees, and communities where we operate.

Mission

To build long-term value with a portfolio of sustainable energy and natural resource businesses.

Corporate Values

Professional

All employees must conduct themselves in a professional manner by, among others:

- Competent in one's area of expertise;
- Possessing a "champion spirit";
- Continuously seeking self-improvement;
- Having professional ability and knowing one's limits.

Ethical

All employees must conduct themselves in an ethical manner by, among others:

- Conducting business fairly with high moral integrity;

- Applying the highest ethical standards at all time;
- Following company's ethics and Good Corporate Governance policies.

Open

All employees must make efforts to promote transparency by, among others:

- Encouraging informality and openness in communication at all levels;
- Building an environment of trust among the employees and management;
- Behaving with respect, open mind and highest work ethics.

Innovative

All employees must cultivate the spirit of innovation by, among others:

- Building a culture of trailblazers
- Continuously search for innovative solutions to achieve better, safer, more cost effective
- Possessing intellectual maturity.

Creating Shared Values (CSV) and Corporate Social Responsibility (CSR)

Creating Shared Value (CSV) Approach

Common shared values are often articulated in mission statements, codes of conduct, or cultural values documents within organizations. They can also be deeply embedded in the traditions, customs, and societal norms of a particular group or community. These values play a significant role in shaping the culture, identity, and ethical framework of the entity or group that holds them. In business practice, Medco Energi’s activities are based on three pillars of sustainability that integrate the business with the environment, society and the company’s workers.



Figure 4.1 Sustainability Pillars

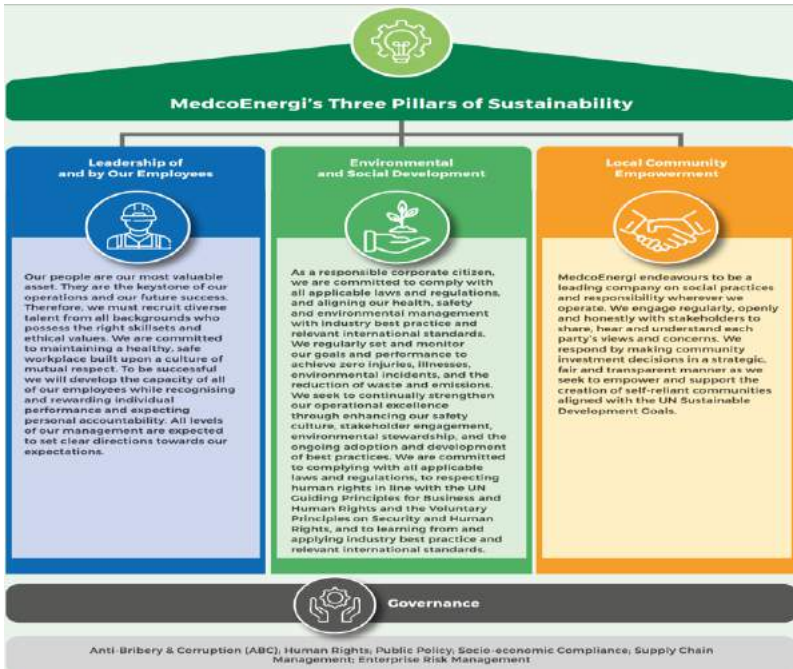


Figure 4.2 Medco Sustainability Pillars

Medco’s Sustainability Policy is mandatory and applicable to all employees and business units. The three pillars are enshrined in the company’s core Corporate Values and Good Corporate Governance Principles, which they uphold vigorously. Medco also has BSR (business for social responsibility) to make these three pillars clear with their points. Other than that, Medco Energi

also has a sustainability roadmap from 2017-2022 and from 2023-2027.



Figure 4.2 Sustainability Roadmap 17-22



Figure 4.3 Sustainability 2023-2027

According to this roadmap, Medco Energi has planned and implemented sustainable business practice by making sustainability as corporate culture and the company has created value for sustainability as the center of excellence.

Medco Energi also supports human rights in the company’s business practice, here the company’s milestone in human rights.

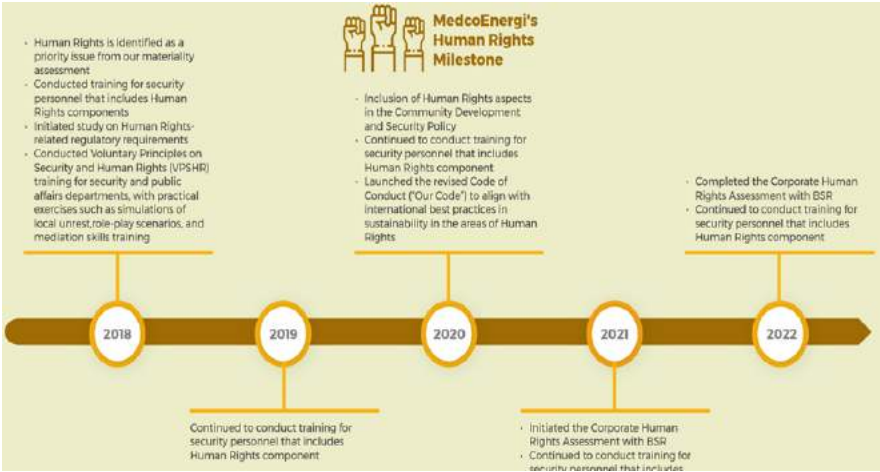


Figure 4.4 Human Rights Milestone

Medco Energi’s salient human rights issues are listed below:

<p>Labour Conditions</p>  <ul style="list-style-type: none"> · Working Conditions (Work Hours, Rest Periods, Leave and Contract) · Non-Discrimination, Fair and Equal Treatment · Freedom of Association and Collective Bargaining · Workplace Health and Safety 	<p>Business Ethics</p>  <ul style="list-style-type: none"> · Fraud and Anti-corruption
<p>Operational Impacts</p>  <ul style="list-style-type: none"> · Life, Freedom, and Security · Privacy, Data, and Cyber Security · Climate Change and Environmental Impacts · Cumulative Impacts · Just Transition and Responsible Disengagement 	<p>Socio-economic Impacts</p>  <ul style="list-style-type: none"> · Land Use, Acquisition and Resettlement · Community Development and Local Employment
	<p>Grievance Mechanism</p>  <ul style="list-style-type: none"> · Grievance Mechanism and Access to Remedy
	<p>Supply Chain</p>  <ul style="list-style-type: none"> · Service Supplier and Contractor Labour Conditions · Product Sourcing from Human Rights High Risk Locations

Figure 4.5 Human Rights Issues

Corporate Social Responsibility (CSR) Program

Medco Energi is committed to be a leading company in the field of community practices and corporate social responsibility (CSR). The social and economic impact of the pandemic challenged our ability to reach our targets in 2020. However, together with communities and other stakeholders, we found creative ways to adapt our community development programs to continue to empower and create resilient and self-

reliant communities. Medco's development policies that are related with CSR:

1. Philosophy

Medco is committed to be a leading company in social responsibility initiative by listening to the company's stakeholders. The company also is committed to make a positive impact to communities in the company's operational areas by empowering people, creating self-reliant communities that are aligned with the UN SDG.

2. Purpose

General framework to plan, assess, implement, monitor and evaluate the company's community development programs.

3. Key focus areas

- a. Community development program based on natural resources and local wisdom within local communities to foster sustainable growth.
- b. Community empowerment process aimed to improve the ability of communities to be self-reliant according to self and environmental potential.

c. Stakeholder Engagement to obtain social license for its process of community development program and company operations.

4. Monitoring and evaluation of community development activities. The company's community development program must be evaluated to ensure that the company's community development program is effective.

Medco Energi strives to create long-lasting, positive impacts for their stakeholders. The three pillars of Medco Energi Sustainability Policy reflect their commitment to protecting people's health and safety, safeguarding the environment, and supporting the local communities. In protecting people's health and safety, Medco assured that people and organizations have a critical enable of success moving forward and ability to attract and maintain a lean, efficient, and diverse pool of top fit-for-purpose talent. Therefore, Medco enables a workplace with a healthy and safe wellbeing, secure practices, and committed to talent attraction, retention, and development. On the other hand, in safeguarding the environment, Medco ensures the three climate aspects (risk and resilience, mitigation, and adaptation) as clear,

urgent, and significant issues. Medco is determined to prioritize climate risk and resilience, climate mitigation, climate adaptation, great water and air quality, wisely dispose of effluents and waste, and also boost the importance of asset integrity and security.

Medco is on track to achieve its long term commitment of net zero for scope-3 emissions by 2060. Supporting this matter, Medco has developed a conservation program, Medco Ratch Power Riau (MRPR) Biodiversity Programme. Partnering with community forest ecosystem services (Indonesia-based NGO) and Flora & Fauna International conservation charity and NGO, this program focuses on patrols and forest monitoring, production of protected forestry plant seeds, and development of sustainable agriculture. In addition, total area planted by Medco in 2018-2020 is 172.75 ha. Forests and oceans are among the world's most important carbon sinks, therefore, Medco has initiatives to facilitate carbon sequestration through nature-based solutions. Moreover, Medco also develop a CSR program in Tarakan, whereas Medco has composted 0.6 tonnes of waste through the Waste Industrial Park (Taman Industri Sampah Kegiatan Ekonomi Berbasis Pengelolaan Lingkungan/TIS-KEBAL), as part of its long-standing CSR programme with the local authorities.

Furthermore, in empowering the local communities, there are both risks of creating negative impacts on the livelihoods and environment, as well as opportunities for Medco Energi to share benefits with local communities through giving healthcare facilities, education programs, local infrastructure, and supporting the livelihood of its local people. Contributing to this Aspect, Medco launched a toilet construction project in 2019 to support Indonesia's efforts to reach Open Defecation Free (ODF). Open defecation, or the practice of defecating outside, has received international attention from the UN: there is one child fatality every 2.5 minutes globally from diseases related to open defecation. Health threats include cholera, intestinal worm infection and diarrhea, since the practice predisposes water and food to fecal contamination. Research suggests the practice also has a considerable impact on women: threats include maternal anemia, which directly causes adverse pregnancy outcomes and can result in long-term damage to psychosocial well-being. In Indonesia, an estimated 25m people do not have access to toilets. One in four Indonesian children under the age of five suffers from diarrhea, the leading cause of child mortality in the country. The Indonesian government has been developing ODF villages to address this issue for over a decade. In supporting this toilet

construction project, Medco has gained several positive impacts including solutions to health challenges, increased happiness and upheld dignity, and to improve the ability of communities to become self-reliant, according to potential of self and of the environment. With these pillars as guidance, Medco conducts their business with integrity and transparency to secure the social license to operate.

An Integral Part of CSR to Business Model

Integrating CSR (Corporate Social Responsibility) programmes into the business model corresponds with the company's values, long-term profitability, and sustainability goals. CSR is more than simply a charitable activity; it is also about community empowerment. As a result, the focus is on long-term development for the environment, society, customers, and human resources. In the perspective of humanitarianism, CSR could help to create long-term sustainability, climate change mitigation, as well as biodiversity and ecosystem protection for the environment. Moreover, it certainly could open up job opportunities, expand local supply chains, and improve community welfare for the society. On the other hand, it is also an integral part of the company since the environmental, social,

and governance (ESG) considerations have grown in importance for both investors and consumers worldwide. Companies that demonstrate a commitment to CSR and sustainability are more appealing to responsible investors and customers.

Medco Ratch Power Riau (MRPR) Biodiversity Programme was started in 2018 to achieve their environmental long term goals. Secondly, Medco launched a toilet construction project in 2019 to support Indonesia’s efforts to reach Open Defecation Free (ODF). MPRR biodiversity programme has opened up to 1000 new job opportunities during the first three years, the growth of these projects are linear with Medco’s overall growth.



Figure 4.6 Medco Revenue Growth from 2018-2022

The use of several CSR implementation stages, such as social mapping and stakeholder involvement, is meant to ensure that CSR programmes are not misdirected. Furthermore, this approach demonstrates a company's commitment to conducting a CSR activity that promotes empowerment and long-term growth. CSR is really governed by Law (UU) no. 40 of 2007 on Limited Companies and Law (UU) no. 25 of 2007 on Investment. Government Regulation (PP) no. 47 of 2012 also defines how CSR is implemented in Indonesia. Despite the lack of clear and firm consequences, companies in Indonesia should engage in CSR initiatives to demonstrate their dedication to the environment, society, customers, and human resources.

In numerous aspects, Medco Energi's participation in CSR programmes is inextricably linked to its business strategy. CSR programmes at Medco Energi are a vital and strategic aspect of the company's business plan. These programmes assist the organization in risk management, reputation enhancement, alignment with environmental goals, and long-term performance in a rapidly changing energy sector.

CSR Impact to Medco Business

The impact of a CSR program on an oil and gas company like Medco Energi can be varied and have both contributive and strategic implications for its business. The worthwhile impact would be to enhance Medco's reputation in the eyes of stakeholders, investors, customers, and the public. It demonstrates the company's commitment to support the Indonesian Government's program of climate change mitigation, targets towards emissions reduction and net zero goals, to ethical and sustainable oil and gas business practices, which can attract socially conscious consumers and investors. This will also help to mitigate certain business risks. For instance, by investing in environmental sustainability to support the Government's energy transition commitment and climate resilience, Medco can reduce its exposure to regulatory fines and penalties related to some environmental violations. Moreover, these initiatives can foster positive relationships with various stakeholders, local communities, government agencies, and non-governmental organizations. This can definitely be beneficial for obtaining permits, licenses, and support for business operations.

On the financial side, the CSR programs like energy efficiency measures or waste reduction initiatives can lead to cost

savings over time. These savings can positively impact the company's surface. Furthermore, it gives greater access to capital whereas many investors and financial institutions consider a company's CSR efforts when making investment decisions. Having a strong CSR program can make it easier for Medco Energi to access capital and secure favorable financing terms. Besides, in a competitive industry like energy, a robust CSR program necessarily differentiates Medco from its competitors. It can certainly attract customers who prioritize sustainability and responsible business practices.

In addition, by addressing environmental and social concerns, Medco contributes to the long-term sustainability of its business operations. This really helps ensure the company's viability in an evolving and socially conscious marketplace. Moreover, pursuing CSR goals can drive innovation opportunities within the company. For instance, Medco Energi joining with PLN, has signed a Memorandum of Understanding on renewable energy sources development study, supporting the government of Republic Indonesia in achieving the Nationally Determined Contribution (NDC) Target by 2030 and Net Zero Emission by 2060. This action definitely indicated Medco's awareness by being highly invested in research for renewable

energy technologies, which can lead to new business opportunities.

Business Methods Analysis and Results

Our research methodology was grounded in a comprehensive literature review, serving as the cornerstone of our investigation into Creating Shared Value (CSV). Through a meticulous examination of an extensive array of publications in the field of CSV, we delved into the frameworks and fundamental principles surrounding this transformative concept. This literature review not only allowed us to gain a profound understanding of the historical evolution of CSV but also revealed emerging trends and evolving perspectives. By synthesizing the insights and conceptual foundations drawn from this body of literature, we established a robust theoretical framework to guide our study. This method not only informed our research design but also facilitated a nuanced and informed analysis of the multifaceted relationship between CSV initiatives and their impact on both businesses and society, contributing significantly to the ongoing discourse on this pivotal subject.

1. Carrol CSR Pyramid

Carroll made a specific theory for the way that corporations interact with its surrounding community and the whole world; this theory is known nowadays as Carroll's Pyramid of CSR (Fig. 1). Carroll's theory is composed of four obligations that create a foundation or infrastructure for business's responsibilities toward society.

a. **Economic Responsibility**

Economic responsibility is the obligation of a business organization to make money. Carroll placed the economic obligation in the base of the CSR Pyramid because it's vital for business survival. Any corporation or organization, even if it's a non-profitable organization, as a charities association needs assets in order to succeed and sustain. According to Carroll, the first step in implementing CSR is to enroll in business operations and to make profits. Carroll added that profits are necessary to reward investors and owners. Moreover, profits must be reinvested back to maintain business growth. Economic responsibility is represented by a corporation through investments, marketing strategies, business operations, and long-term financial strategies with

variant stakeholders. For example, when a corporation enrolls into business operations, it must hire a number of employees and it will deal with different stakeholders as vendors, sellers, marketing consultants, stockholders, investors, insurance companies, banks, and financial institutes. Variant stakeholders will be affected positively if corporations achieve profits, this what economic scholars named as Win-Win theory. As a result, stakeholders will make profits, money circulation processes will improve and a corporation will successfully achieve its CSR economic responsibility.

b. Legal Responsibility

Corporations must respect laws and regulations. According to Carroll's Pyramid theory, Legal Responsibility is placed in the second level of the CSR Pyramid. A responsible corporation is a corporation that accepts rules of a fair business game. A responsible corporation adheres to law because it believes that fair business reflects positively on the whole economy and society. If a corporation makes a tax evasion process, or deals with money laundering activities, or even produces

a toxic product, it is illogical to consider it as sharing in CSR values.

c. **Ethical Responsibility**

Corporations must behave as a good citizen in society. Such responsibility allows corporations to make what is good for society even if the law doesn't require it. Carroll mentioned that corporations must be responsive to the spirit of the law, not just to the letter of law. In other words, ethical responsibility embraces fair activities done by a corporation and expected by society. For example, fishing companies are allowed to hunt unlimited amounts of fish in the Middle East seabed, but it is immoral to hunt larger quantities than the quantity required by the market. Civil societies and associations play an important role in determining the ethical controls of companies until these controls become official laws.

d. **Philanthropic Responsibility**

It is a voluntary activity guided by the business's desire to participate in social activities that are not mandated, not required by law, and not generally accepted in business as ethical sense. Philanthropic

responsibility is a pure giving for society, it's an activity or project created by a corporation and purely dedicated to the community. At the philanthropic level, the business corporations could satisfy what is desired by their society. To fulfill philanthropic responsibility, corporations engage in various giving forms, such as sponsoring sports activities like an annual marathon or volunteering employees in donation campaigns. The value behind philanthropic activities is to reveal a good citizenship image of the company and increase its reputation.

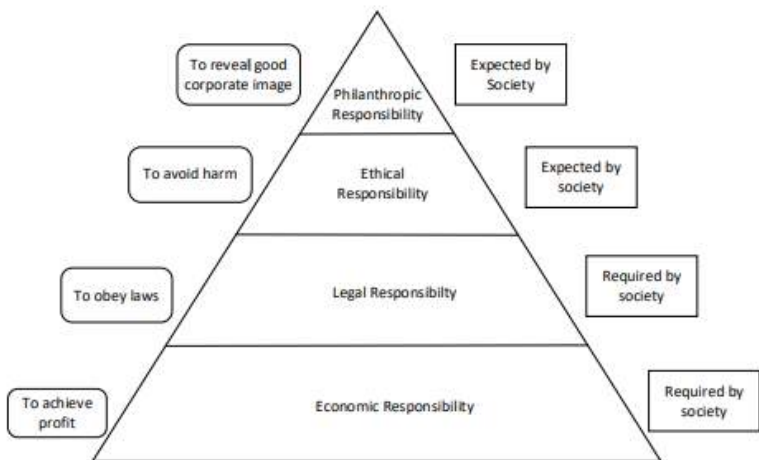


Figure 4.7 Pyramid of CSR (Carrol, 1979)

The main idea of Carroll Pyramid is to apply CSR projects in the order form. Companies should apply social responsibility by achieving economic objectives at the first level through maintaining sustainability and profitability. Only then can it move to the next stage which is the commitment to recognize regionally and internationally laws and obligations. Only after that third level comes, which is the commitment to ethical standards. Finally achieving the last level, where companies contribute to the philanthropic responsibilities required by society and environment.

When Carroll developed his original four-part construct of CSR (1979) and then his pyramidal depiction of CSR (1991), it was clearly done with American-type capitalistic societies in mind. But in 2007 Crane and Matten observed that all the levels of CSR depicted in Carroll's pyramid play a role in Europe and interlink in some manner. Likewise, Visser revisited Carroll's pyramid in developing countries/continents, particularly in Africa, and argued that the order of the CSR layers there differs from the classic pyramid. Visser mentioned

that in developing countries, economic responsibility continues to get the most emphasis, but philanthropy is given the second highest priority followed by legal and then ethical responsibilities. As a result, there are some other aspects that corporations must shed light on, such as the nature and the situation of the surrounding environment and community before adopting the Carroll CSR framework. In order to maximize the benefits of CSR, businesses need to take into account the needs of the surrounding society and thus implement projects that are appropriate to it.

Results

The study's findings shed light on the alignment of Medco Energi Company's CSR endeavors with Carroll's CSR Pyramid, which delineates four key obligations for businesses. These obligations form the bedrock of a company's CSR practices and collectively impact its operations, reputation, and contributions to society.

- **Economic Responsibility:** This level emphasizes the importance of businesses making profits, which are essential for their sustainability and growth. The study

found that Medco Energi, as an energy company, recognizes the economic responsibility by maintaining profitability, which enables it to invest in sustainability initiatives and support its CSR programs.

- Legal Responsibility: Medco Energi demonstrated its commitment to following laws and regulations, reflecting its responsibility as a corporate citizen. Legal responsibility ensures that a company operates within the bounds of the law, contributing positively to the economy and society.
- Ethical Responsibility: Ethical responsibility entails businesses adhering to ethical standards and practices beyond legal requirements. Medco Energi was shown to be responsive to the spirit of the law and ethical expectations of society, particularly in its approach to environmental sustainability.
- Philanthropic Responsibility: This level involves voluntary giving to society and supporting activities that benefit the community. Medco Energi's philanthropic efforts were highlighted, including initiatives like the Medco Ratch Power Riau (MRPR) Biodiversity

Programme and a toilet construction project aimed at improving public health and sanitation.

The study's results indicate that Medco Energi's CSR initiatives align with Carroll's CSR Pyramid, reflecting a balanced approach to CSR obligations. The impact of these initiatives on Medco Energi's business was found to be positive and multifaceted:

- **Enhanced Reputation:** Medco Energi's CSR efforts have improved its reputation among stakeholders, investors, customers, and the public. This positive image attracts socially conscious consumers and investors.
- **Cost Savings:** energy efficiency and waste reduction initiatives, have led to cost savings over time, positively impacting the company's finances.
- **Access to Capital:** Medco Energi's strong CSR program makes it more attractive to responsible investors and financial institutions, improving its access to capital and favorable financing terms.
- **Competitive Differentiation:** In a competitive industry, a robust CSR program differentiates Medco Energi from

competitors, appealing to customers who prioritize sustainability and responsible business practices.

- Long-term Sustainability: CSR contributes to the long-term sustainability of Medco Energi's operations, ensuring its viability in a socially conscious marketplace.
- Innovation Opportunities: Pursuing CSR goals can drive innovation within the company and open up new business opportunities.

Based on these findings, several recommendations emerge to further enrich our understanding of CSR and its impact on businesses and society. Firstly, future research should delve into the specific mechanisms through which Creating Shared Value (CSV) initiatives create synergies between economic and societal value. Case studies and in-depth analyses of successful CSV implementations across various industries and geographical contexts could yield practical insights for organizations seeking to adopt or enhance their CSV strategies. Secondly, investigating the role of regulatory frameworks and governmental policies in fostering CSV adoption and effectiveness is essential. Understanding how external factors influence CSR practices can provide a more comprehensive view of the landscape in which businesses operate. Thirdly, longitudinal studies tracking the

long-term sustainability and evolution of CSV initiatives are imperative. Such studies would allow us to assess the resilience and lasting contributions of these initiatives, providing valuable insights into their effectiveness and longevity.

Moreover, the field of CSV continues to evolve, and ongoing research is pivotal in uncovering new avenues for businesses to create sustainable, shared value while addressing pressing societal challenges. This includes industry-specific analyses and a deeper exploration of the external factors that influence a company's choice of CSV initiatives and their impact. In conclusion, the study highlights the dynamic nature of CSV and its potential to create shared value for both businesses and society. Continued research in this domain is crucial to discover novel opportunities for organizations to tackle societal challenges while achieving economic growth and sustainability.

Conclusion

CSR and CSV programs play critical roles in the corporate sector by encouraging responsible, sustainable, and ethical business practices. These activities not only assist society and the environment, but they also contribute to a company's long-term prosperity, resilience, and beneficial stakeholder relationships.

As societal and environmental concerns develop, businesses are increasingly seeing the value of these programs in molding their future. Companies that participate in CSR efforts establish a favorable reputation and brand image. This can lead to improved consumer loyalty, trust, and a competitive edge. Furthermore, by tackling specific socioeconomic or environmental concerns through CSV programs, firms demonstrate their commitment to make a significant difference. This can lead to an improved reputation and brand value.

Recommendation

This study offers valuable insights into the relationship between Creating Shared Value (CSV) initiatives and their impact on businesses and society. However, to further enrich our understanding of this dynamic concept, it is recommended that future research delve deeper into the specific mechanisms through which CSV creates synergies between economic and societal value. Exploring case studies and in-depth analyses of successful CSV implementations across various industries and geographical contexts could yield practical insights for organizations looking to adopt or enhance their CSV strategies. Additionally, investigating the role of regulatory frameworks and

governmental policies in fostering CSV adoption and effectiveness can provide a more comprehensive view of the external factors influencing CSV practices. Furthermore, longitudinal studies tracking the long-term sustainability and evolution of CSV initiatives are essential to assess their resilience and lasting contributions. Ultimately, the field of CSV continues to evolve, and ongoing research is pivotal in uncovering new avenues for businesses to create sustainable, shared value while addressing pressing societal challenges.

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