Costs and Benefits of the CSR

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Academic Roundtable Discussion and Stakeholders’ Workshop
Theme: What are CSR activities?, June 28, 2010
The Concept of CSR

Cost-Benefit-Analysis of CSR Programs

1. PT Bakrie Sumatera Plantations (BSP) Tbk
2. Wilmar International (WI) Limited
3. Apac Inti Corporation (APACINTI)
4. Itochu Corporation
5. Indonesian Telecommunications (Telkom) Tbk
6. British Telecommunications (BT) Group Plc
7. Garuda Food Ltd
8. Nestle
9. Citibank National Association

Concluding Remarks
CSR is often regarded as the core thinking of business ethic.

CSR is not only a responsibility but also an obligations, V.V.
The implementation model of CSR in Indonesia is generally applied according to Saidi and Abidin (2004), divided into a number of ways, including:

- Through direct involvement
- Through the foundation or the social organizations
- Partnering with other parties
- Joining the consortium
According to the World Bank, CSR consists of several main components:

1. Environmental protection
2. Job security
3. Human rights
4. Health protection
5. Leadership and education
6. Humanitarian assistance towards disaster
7. Company’s interaction with society and, business standards, market, economic and enterprise development

Benefits of CSR depend on the nature of the company concerned.
C-B Analysis of CSR Programs at PT Bakrie Sumatera Plantations (BSP) Tbk
### Percentage of CSR Fund at BSP

<table>
<thead>
<tr>
<th>Field</th>
<th>2006 (%)</th>
<th>2007 (%)</th>
<th>2008 (%)</th>
<th>2009 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Environment</td>
<td>22.34</td>
<td>12.31</td>
<td>5.00</td>
<td>2.49</td>
</tr>
<tr>
<td>2. Education</td>
<td>21.25</td>
<td>25.20</td>
<td>25.99</td>
<td>37.76</td>
</tr>
<tr>
<td>4. Economy</td>
<td>20.85</td>
<td>15.05</td>
<td>14.80</td>
<td>3.06</td>
</tr>
<tr>
<td>5. Infrastructure</td>
<td>8.37</td>
<td>10.52</td>
<td>12.09</td>
<td>5.34</td>
</tr>
<tr>
<td>6. Donation/disaster help</td>
<td>5.97</td>
<td>13.00</td>
<td>9.46</td>
<td>22.48</td>
</tr>
<tr>
<td>7. Health</td>
<td>-</td>
<td>-</td>
<td>5.17</td>
<td>10.99</td>
</tr>
<tr>
<td>8. Religious</td>
<td>-</td>
<td>-</td>
<td>13.40</td>
<td>12.03</td>
</tr>
<tr>
<td>9. Others</td>
<td>-</td>
<td>-</td>
<td>4.72</td>
<td>3.73</td>
</tr>
</tbody>
</table>
### C-B Analysis of CSR at BSP

<table>
<thead>
<tr>
<th>COSTS</th>
<th>BENEFITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increased costs in terms of adherence to the principles of best management practices according to standards of RSPO (Roundtable on Sustainable Palm Oil)</td>
<td>1. Improved environmental conservation</td>
</tr>
<tr>
<td>2. Local society dependence on help / donation from the company to run schools Operations</td>
<td>2. Improved quality of education</td>
</tr>
<tr>
<td>3. Companies sometimes have to accept the results of local plantations that do not meet the standards of raw material production</td>
<td>3. Improving the economy in terms of partnerships with local farmers</td>
</tr>
<tr>
<td>4.Providing assistance for disaster victims is often regarded as a strategy to raise the corporate image is often considered to be detrimental in operational terms</td>
<td>4. Improving the health sector in terms of facility development and service General Hospital (RSU) and environmental sanitation.</td>
</tr>
<tr>
<td></td>
<td>5. Increased religious activity and sports activities</td>
</tr>
<tr>
<td></td>
<td>6. Assistance to flood victims in several towns</td>
</tr>
</tbody>
</table>
C-B Analysis of CSR Programs at Wilmar International (W I) Limited
CSR Programs at Wilmar International

Environmental Supervision:
1. Water Management
2. Study Carbon Footprint

Biodiversity Conservation:
1. Biodiversity Conservation Strategy

Partnerships:
1. with Academia
2. with Private Sectors
3. with Civil Society

Corporate Philanthropy:
1. Educations Projects
2. Health Projects

Community Development:
1. Social Impact Assessment (SIA)
C-B Analysis of CSR Programs at Telkom Tbk
Seven pillars of the program as the scope and focus of Telkom CSR activities, namely:

- Education
- Health
- Culture and refinement
- Partnership
- Public service
- Environment
- Humanitarian assistance and natural disaster
<table>
<thead>
<tr>
<th>Field</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loan Assistance Program</td>
<td>Loan Aid</td>
</tr>
<tr>
<td>2. Education Program</td>
<td>Internet Goes to School, e-Learning, Smart Campus, New Generation Teachers, Education for tomorrow, Create a Thousand Stars, Broadband Learning Centre</td>
</tr>
<tr>
<td>3. Health Program</td>
<td>Medical Assistance</td>
</tr>
<tr>
<td>4. Culture and Refinement</td>
<td>Conference on Southeast Asia-Zakat</td>
</tr>
<tr>
<td>5. Public Services</td>
<td>Internet training to village chiefs, Provision of <em>Fastel Jamnas</em></td>
</tr>
<tr>
<td>6. Environment</td>
<td>Telkom Operation Impact Analysis</td>
</tr>
</tbody>
</table>
Telkom was implementing several CSR programs with wide range, so consistence and sustainability of this programs requires a big amount of funds and sometimes the sustainability of this programs is questioned.

**BENEFIT:**

- Maintain economic viability of the company & the society
- Improving the human resource
- Environmental responsibility
- Improving the quality of public education
- Increasing competitiveness,
- Can strengthen government support for business enterprise
C-B Analysis of CSR Programs at British Telecommunication
BT develop its CSR strategy in four areas:

1. To ensure that the building blocks of a responsible business are in place
2. Climate change
3. Sustainable economic growth
4. Society
For the BT company, costs of doing CSR, divided into charitable donation and support to the society.
Benefit of CSR at BT

- Marketplace opportunities
- Reputation & CSR ratings
- Risk management
- Employee motivation
- Cost reduction

Cost-Benefit Analysis

Total Savings 2004 - 2008
(in million £)

<table>
<thead>
<tr>
<th>Year</th>
<th>Transport Savings</th>
<th>Energy Savings</th>
<th>Benefits Savings</th>
<th>Waste Savings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>43.8</td>
<td>-0.9</td>
<td>203.3</td>
<td>-2.7</td>
<td>243.4</td>
</tr>
<tr>
<td>2005</td>
<td>62.7</td>
<td>-4.6</td>
<td>153.4</td>
<td>-6.7</td>
<td>204.8</td>
</tr>
<tr>
<td>2006</td>
<td>91.9</td>
<td>-7.8</td>
<td>207.2</td>
<td>-0.9</td>
<td>290.4</td>
</tr>
<tr>
<td>2007</td>
<td>109</td>
<td>-9.2</td>
<td>345.7</td>
<td>3.8</td>
<td>449.4</td>
</tr>
<tr>
<td>2008</td>
<td>71.7</td>
<td>-7.9</td>
<td>297.2</td>
<td>4.4</td>
<td>365.3</td>
</tr>
</tbody>
</table>
C-B Analysis of CSR Programs at Garuda Food Ltd
The CSR mission statement of Garuda Food is carried in five main pillars: (1) Education, (2) Public health, (3) Social Donation, (4) Small Medium Enterprises and (5) Environment.

The concrete implementation of CSR at Garuda Food embodied in the program "Garuda Food Sehati"
Cost-Benefit Analysis of CSR at Garuda Food

**COST**
- Execution Cost
- Reporting Cost

**BENEFIT**
- Benefit for Garuda Food
  - Reputation
  - Economic benefits
  - Improve human resources
  - "Blessing" of business
  - Risk management

- Benefit for Community
  - Social values
  - Community empowerment

- Benefit for Government
  - Social aspects

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CSR reporting is required to comply with certain standards of CSR.
C-B Analysis of CSR Programs at Nestle
The implementation of CSR at Nestle embodied in the program “Creating Share Value” (CSV)

CSV is focused on three aspects of (i) Nutrition, (ii) Water & (iii) Rural development.
<table>
<thead>
<tr>
<th><strong>COST:</strong></th>
<th><strong>BENEFIT:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestle seeks to reduce the excessive exploitation of natural resources every year.</td>
<td><strong>For Citibank:</strong></td>
</tr>
<tr>
<td></td>
<td>(i) Reputation in Developing Countries</td>
</tr>
<tr>
<td></td>
<td>(ii) Expanding access to financial resources</td>
</tr>
<tr>
<td></td>
<td>(iii) Improving human resources</td>
</tr>
<tr>
<td></td>
<td>(iv) Risk Management</td>
</tr>
<tr>
<td><strong>For Community:</strong></td>
<td>Nutrition &amp; water improvement and rural development</td>
</tr>
<tr>
<td><strong>For Government:</strong></td>
<td>Support sustainability development</td>
</tr>
</tbody>
</table>
Thank You