

A Good Business is Good Ethic. CSR Program, Case Study in Environmental Perspective Program at PT. Kaltim Prima Coal

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Abstract - A good business is good ethic, and PT Kaltim Prima Coal is no exception. As one of the largest coal mining companies, negative perceptions and impacts must be managed by KPC in a good ethical manner by implementing Good Mining Practices.

Sustainable environmental performance is an achievement indicator of good business ethics. This is indicated by a good mining environmental management program which gives benefits to community. Three environmental based programs that provide basic benefits to the community are “KPC Cares for Water”, “KPC Cares for Waste” and “KPC Cares for Seeds”.

The purpose of writing this article is to see whether these three programs are the embodiment of good business ethics and can have a positive impact on society

The benefits of programs are then measured using the Social Return of Investment, Community Satisfaction Index and ISO 26000 Gap Analysis. As a result, KPC is a company with good and sustainable business ethics with large social benefits, conformity to ISO 26000 and the Community Satisfaction Index with very satisfactory category.

Keywords - Business Ethic, CSR, Community satisfaction index, SROI & ISO 2600

I. INTRODUCTION

PT Kaltim Prima Coal (KPC) is a coal mining company operating in East Kutai Regency, East Kalimantan Province, Indonesia. KPC's mining activities are carried out with due observance of Good Mining Practices (GMP). The application of GMP is in accordance with the rules, regulations, and norms so as to provide optimal results and minimal negative impacts (Suyartono, 1997). An important aspect in implementing GMP is the management of significant environmental and social impacts on the community.

In the implementation of GMP, mining does not only fulfill the requirements of the rules and laws, but must comply with business ethics in the form of conformity with the norms prevailing in society. Business ethic are an agreed-upon code of conduct in business based on society norm also lay the foundation and provide training for behavior that is consistent with the principles, norm & standard practice that have been agreed upon by society (Rothaermel, 2021)

It is essential so that GMP can be said as the embodiment of good business ethics. In addition to norms, business ethics can be seen as beliefs about right and wrong, good or bad what people do, legal compliance, equal with Corporate Social Responsibility (SS Chanka, 2008).

Good business ethics will encourage the Company to maintain reputation and image in front of all stakeholders. Reputation and image become two important aspects that determine the sustainability of its business (Nuraini, 2018). Without exception, the existence of KPC, in its operations, must have a positive impact on the achievement of goals. It means that KPC in environmental management must provide benefits and added value socially, economically, and environmentally for stakeholders. This approach and practice of social responsibility is taken by KPC as an act of maximizing its contribution to sustainable development.

There are three important issues in this article, related to the existence of KPC in environmental impact management. First, the changing and opening of the landscape has an impact on the quality of mine water which must be managed. Second, KPC's responsibility to restore the ecosystem by managing and replanting (reclamation) ex-mining land and third, the issue of population growth contributes to an increase in the amount of waste that affects the carrying capacity of the urban environment.

KPC must manage the impact it above well; otherwise, the risk of negative perceptions can damage the company's reputation. Management of environmental impacts must provide social and economic benefits to stakeholders as a form of creating shared value (Camileri, 2017). This additional benefit value must be shown by KPC to stakeholders as a form of KPC's sustainable ethical business This shared value approach can increase business opportunities, improve several things including: market, profit, and the competitive positioning of the business in investing (Competitive positioning) (Porter & Kramer, 2011).

However, the profit orientation of KPC's business must also be a social investment for stakeholders. The social and economic benefits can be felt by the community in improving the quality of life of the community so that investment from a business entity can benefit the community (Weeden, 1998). Social investment provides profitable results, so that it is able to make the company's operations for the long term (Sukada et al, 2007)

Efforts to manage and monitor environmental impacts as mandated by the Environmental Impact Analysis (AMDAL) must be carried out aimed at minimizing negative impacts and maximizing positive impacts for the environment and surrounding communities. However, business ethics is not enough to just refer to AMDAL.

To build and maintain the company's reputation, KPC needs to embody business ethics that go beyond the provisions of the rules and legal requirements. Business ethics need to be realized in a real form in the form of Corporate Social Responsibility (CSR) in environmental, social and economic aspects. CSR also must be embedded in business ethics in companies so that companies not only emphasize profit but also a balance between business and social responsibility (Gheraira, Saadaoui, Abdelli, 2019).

With this background, this article will focus on the theme of the study of business ethics in the perspective of the KPC environmental CSR program: KPC Cares for Water (providing raw water from the Kenyamukan Lake), KPC Cares for Waste (Clean, Healthy and Independent Movement Program (*Gerak Bersemi*)) and the KPC Cares for Seeds. The aim is to gain a deeper understanding of:

1. Is the implementation of KPC's CSR program based on the environment as the embodiment of good business ethics and building a positive perception?
2. Do these three environmental-based CSR programs provide significant benefits and added value for the community and have an positive impact?
3. Can the implementation of the program for KPC care about water, KPC care about waste and KPC care about seeds be proven by the value of benefits and added value through measuring the Social Return of Investment, Community Satisfaction Index and measuring the suitability of the program to compliance with ISO 26000, as good corporate business ethics?

Literature Review

Business Ethic

Business ethics is a code of ethics applied in the company's business that must comply with the norms that apply in local, national and international communities. The importance for the company is that the company has a strong foundation and creates high performance value.

Corporate Social Responsibility (CSR)

Part of business ethics, is corporate social responsibility. Responsibility departs from the company's awareness that its business decisions can affect and have an impact on stakeholders. From the point of view of business actors, corporate social responsibility is a form of concern and sensitivity to stakeholders, especially providing value for benefits to the community where the company operates.

Social and environmental responsibilities aim to achieve sustainable economic development. In addition, in order to improve the quality of life and the environment that is beneficial for the company itself and the community (Law 40 concerning PT). This is to support the occurrence of harmonious, balanced, and in accordance with the environment, values, norms and culture of the local community.

The benefits of business ethics and corporate social responsibility, namely gaining respect, gaining the trust of stakeholders in supporting the company's operations

II. METHODOLOGY

A. Measuring Social Return on Investment

SROI is used to find out how much the value of the social benefits of a social program. SROI calculation is carried out based on structured steps. The main purpose of the SROI logical structure is to determine the parties involved and quantify the benefits received in monetary units. This is a critical function to reduce the risk of over claiming, or overestimating from the program implementer or appraiser.

The social benefits that have been evaluated are then compared with the investment valuation based on the SROI formula. SROI value > 1 indicates that a social program provides more social benefits than the investment value. In this study, the SROI calculation is carried out in stages:

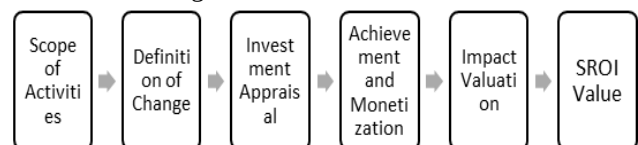


Fig.1. Structure steps of SROI

After the impact assessment, the next stage is the determination of the FV (Financial Value). FV is calculated to get the SROI as factual as possible and avoid over claiming.

This is done by the formula:

$$FV = Outcome - Deadweight - Displacement - Drop off - Attribution$$

Deadweight (DW) : Any changes that will indeed occur without any intervention or activity or not.

Displacement (DP) : Occurs when the benefits obtained are at the expense of others.

Drop off (DO) : Calculates how much the impact of the activity will decrease over time.

Attribution (AT) : Changes obtained from the intervention of other parties.

Each of these factors has a deducting portion of the impact/benefit value. After the FV is determined, the next step is to calculate the PV (present value). The PV formula is:

$$PV = FV \times \frac{1}{(1 + r)^t}$$

PV: Present Value, r: interest rate

Measuring the Community Satisfaction Index

The study of the Community Satisfaction Index (CSI) is intended to see how far the level of community

satisfaction with the success of the CSR program carried out by the company. The data extracted in this study through structured interviews involving respondents with purposive sampling from program beneficiaries.

The CSI study uses a Likert Scale as a reference in the preparation of questionnaires distributed to respondents. Respondents were asked to provide responses to each question by choosing five answer options. The rating of the answers is between 1 and 5 to rate the importance of program beneficiaries from very unimportant (1) to very important (5). In addition, a scale of 1-5 is used to rate the performance on each attribute from very poor (1) to very good (5). The details are as follows:

Calculating the average value of the level of performance and the level of importance

$x = \frac{\sum x}{n}$	$y = \frac{\sum y}{n}$	Information: x = Average value of performance level y = Average value of importance level
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B. Community Satisfaction Index (CSI)

The Community Satisfaction Index (CSI) is calculated by the formula (Bhote, 1996):

$CSI = \frac{T}{5 \times Y} \times 100\%$	Information: T = Total score multiplication of average X and average Y Y = Average total score of importance (Y) 5 = Maximum value on the measurement scale
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The criteria for CSI refer to the decision of the Minister of State Civil Apparatus Development (KemenPAN) Number 25/M.PAN/2/2004. There are four assessment intervals that describe the level of satisfaction ranging from dissatisfied, less satisfied, satisfied and very satisfied.

No	Interval Value	IKM Conversion	Unit Performance Work Quality
1	$25,00 < X < 43,75$	D	Not satisfied
2	$43,74 < X < 62,50$	C	Less satisfied
3	$62,50 < X < 81,25$	B	Satisfied
4	$81,25 < X \leq 100$	A	Very Satisfied

The CSI-based assessment is carried out based on 14 question indicators, which were asked to respondents through purposive sampling method. Respondents in this survey came from the beneficiaries of the activity. Indicators of questions submitted to respondents, ranging from (1) clarity of procedures (2) participatory planning (3) needs-based activities (4) community participation (5) community self-reliance (6) knowledge & skills of facilitators (7) facilitator engagement (8) increased social capital (9) increased knowledge and skills of beneficiary (10) empowerment of beneficiary (11) empowerment of rural communities, (12) increased welfare broadly (13) sustainability of activities and (14) benefits for KPC.

C. Measuring the gap analysis of CSR program conformity with ISO 26000

In principle, this Gap Analysis will look at the gap between the condition of the CSR program and the ISO 26000 standard. The gap analysis method is to assess KPC's CSR policies and performance, compared to the ISO 26000 standard guideline. In-depth interviews focus group discussions (FGD) and observation. Data and information collected and inputted into the assessment instrument.

The analysis is carried out on the principles that apply in ISO 26000 on 7 core subjects, namely:

1. organization governance;
2. human rights;
3. labor practices;
4. the environment;
5. fair operating practices;
6. consumer issues; and
7. community involvement and development.

Measurement indicators include (1) whether KPC has implemented the appropriate CSR principle with ISO 26000. (2) Whether programs have fulfilled the actions and expectations of the beneficiaries. There are three core subject focus will be analyzed are: Organization Governance, Environmental, Community Involvement & Development) as a form of social responsibility .

The 0-7 scale assessment is carried out by measuring how much consistency the implementation of the program is in accordance with the policy, ISO 26000, mitigating negative impacts and providing added value to the community. Zero scale means not at all, 4 already has a policy, complies with ISO 26000, mitigates the impact of more than 75%, up to a scale of 7 means that it meets ISO 26,000 expectations, mitigates impact of more than 75% and provides added value to the community.

The value of each question indicator is processed in the form of a presentation. Each value of per individual is normalized (%) following the following formulating rules:

$$\text{Value Normalization (\%)} = \frac{S}{T} \times 100\%$$

S = Score obtained (0 - 7)

T = Highest Rating Scale (7)

Then the average calculation of the normalization of individual questions is carried out in order to describe the fulfillment of the ISO 26000 standard by using the interval value, as follows:

- Fulfill : FF $\geq 71,43\%$ - 100%
- Partially fulfill : PF : 28,57% - < 71,43%
- Not fulfill : NF < 28,57%

The results of this analysis will illustrate that:

- If the interval value is Partially Fulfill (PF) or Not Fulfill (NF) then it can be a signal to improve KPC's performance in meeting stakeholder expectations and expectations.
- If the interval value is Fulfill (FF) , then KPC can declare itself to have adopted the ISO 26000 and make ISO 26000 SR – Self Declared adoption.

III. RESULTS

A. KPC Cares for Water Program

Several years ago, the availability of clean water was one of the main problems in East Kutai Regency. Therefore, KPC collaborated with the East Kutai Regional Government to solve this problem. The East Kutai Regional Government through the Department of Public Works built the Kudungga Water Treatment Plant (WTP) on Jalan Soekarno Hatta, North Sangatta. Meanwhile, KPC provides raw water for WTP Kudungga using water from the Kenyamukan Lake in the Jupiter Pit. This lake holds water from the forest around the Jupiter Pit.

Since 2014, KPC has started the pipeline construction process from Telaga Kenyamukan to WTP Kudungga. In February 2016, the Regent of East Kutai inaugurated the WTP Kudungga which is the initial stage of a clean water project for the Sangatta community with a capacity of 50 liters/second. In 2019, the capacity was increased to 100 liters/second. Currently WTP Kudungga serves 4,700 families or approximately 22,000 people in North Sangatta.

This project helps PDAM Sangatta to be able to save about 1 billion rupiah in chemicals per year due to the good quality of raw water from KPC. This also helps to reduce water consumption costs for the poor from around 300,000 rupiah/month to 60,000 rupiah/month. Prior to this project, PDAM Sangatta's services were very limited, so people bought water at an expensive price.

In addition to benefits for PDAM and the community, KPC itself also utilizes water from Telaga Kenyamukan for internal needs, for the needs of offices, workshops, and employee housing, water cooling for PLTU, also watering mine roads. The average amount of water used from Kenyamukan Lake for the above purposes is approximately 3 million m³ per year. With good water quality, especially for the production of potable water, KPC is able to save the cost of processing potable water by approximately 2 billion rupiahs per year.

KPC hopes that the KPC Cares for Water program can provide greater benefits to the community in terms of health, economy, and the environment in the future. This is KPC's commitment to continue to support the local government's agenda in order to improve people's welfare.

B. SROI KPC Cares for Water Program

Calculation of Present Value of KPC Care for Water Program for 4 years presented in Table I.

From the calculation, the total is:

PV = IDR 30,326,861,872.91

After determining the PV value, SROI is calculated by the formula:

$$\text{SROI} = \frac{\text{FV}}{\text{Investment}}$$

$$\frac{\text{IDR 30,326,861,872.91}}{\text{IDR 9,166,758,132}}$$

SROI = 3.31

TABLE I
 CALCULATION OF PRESENT VALUE

Outcome & Outcome Value (IDR)	Deadweight, Displacement, Attribution & Drop Off Portion	PV (IDR)
Saving potable water production costs for KPC 8,243,033,292	There is no reduction from the Deadweight, Displacement, attribution, and drop off portions because it only calculates the real benefits of savings from the production of potable water which is carried out by KPC itself.	7,964,283,374
Savings in the cost of production of PDAM Kudungga 3,606,766,755	AT : PDAM contribution to 5% HPP savings	3,310,558,857
Savings on water consumption costs after using PDAM water 207,566,740,300	AT: The contribution of PDAM/Pemda Kutim for the availability of clean water is: 90.9 %	19,052,019,641
	PV	30,326,861,872.91
Investment: Piping from Kenyamukan Lake to WTP Kudungga and maintenance of Kenyamukan Lake for 4 years		9,166,758,132.00

The results of the SROI calculation above show that this program brings a social benefit value of 3.31. Each investment of Rp.1,- generates a social benefit of Rp.3.31. The SROI value shows that the program, which is motivated by the synergy between KPC and the East Kutai Regional Government in meeting water needs for the community and the use of ex-mining land, provides social benefits that are more than three times the company's investment value.

C. KPC Cares for Waste

In 2010, the volume of urban waste reached 39 tons/day. 95% of the waste that has not been segregated went to landfill. The lack of Temporary Disposal Sites, no published waste regulations, the lack of awareness of the public and community organizations that care about waste management is not well organized.

Potency of the presence of various community organizations that care about waste is very important. Supporting from various stakeholders is also encourages KPC to compile a joint plan in the Clean Healthy and Independent Community Movement (Gerak Bersemi).

The role of KPC is to encourage, facilitate, and develop the movement through environmental care organizations including Remaja Kreatif Peduli Lingkungan (RKPL). In 2011, RKPL has been entrusted to manage the Composting Training Center (CTC), namely the compost production house for waste management education media, waste management

technology innovation applications, and waste bank organization. The KPC Cares for Waste activities are waste collection and sorting services, compost production, receiving waste from members of the waste bank, also distributing waste donation from members of the waste bank in social activities, and providing waste management training.

From the picture above, there are three main program objectives to be achieved: Eco-waste management, Eco-health, Eco-enterprise business model. This means that eco-waste can encourage waste reduction, improve health and at the same time waste became an economic value for the community.

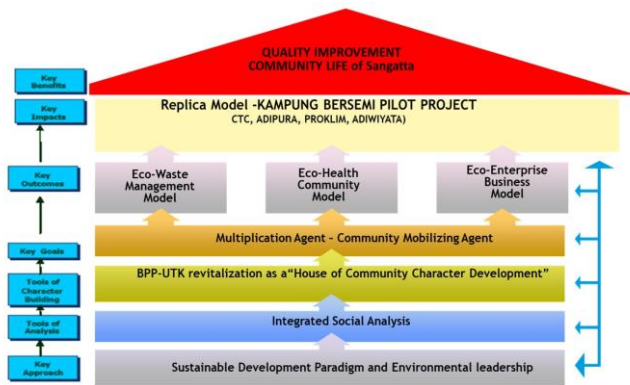


Fig. 2. Clean Healthy and Independent Community Movement (Gerak Bersemi)

D. SROI KPC Cares for Waste Program

The calculation of Present Value as presented in Table II.

Net present value after 5 years

$$NPV = \frac{PV}{(1+r)^n}$$

$$\begin{aligned} &= \frac{2.827.272.758}{(1+0,025)^1} + \frac{2.827.272.758}{(1+0,025)^2} + \frac{2.827.272.758}{(1+0,025)^3} + \frac{2.827.272.758}{(1+0,025)^4} + \frac{2.827.272.758}{(1+0,025)^5} \\ &= 2.758.314.88 + 2.691.038.913 + 2.625.403.818 + 2.561.369.578 + 2.498.897.149 \\ &= 13,135,024,344 \\ \text{Nilai SROI} &= \text{NPV} : \text{Nilai Investasi} \\ &= 13,135,024,344 : 4.943.800 \\ &= 2.65 : 1 \end{aligned}$$

From the SROI (Social Return on Investment) value of 2.65: 1, the value of the program's social and economic benefits is greater than the investment issued by PT. Kaltim Prima Coal.

The results of the SROI calculation above show that this program brings a social benefit value of 2.65. Each investment of Rp.1,- generates a social benefit of Rp. 2.65. The SROI value shows that the program, which is motivated by the synergy of KPC, the environmental care community and the East Kutai Regional Government in

solving the waste issue, provides social benefits that are more than two times the company's investment value.

TABLE II
PRESENT VALUE OF KPC CARES FOR WASTE - GERAK BERSEMI PROGRAM

Aspect	Description (Within 1 Year)	Present Value
Social	500 – 750 people in every Clean Friday Movement (<i>Jumat Bersih</i>). 750 people x 48 weeks = 36,000	36,000 x the price of 5 kg of waste (eg IDR. 1000) = IDR. 180,000,000
	Kampung Bersemi Competition in 158 RT/households group (40 people x 158 RT = 6,320 people)	6320 x price of 5 kg of waste (eg IDR. 1000) = IDR. 31.600.000
	The number of participants for BPPUTK training is 10,000 people	10,000 x training fee (approximately IDR 250,000) = IDR 2,500,000,000
	Number of participants in the 3R socialization. There are 12 socialization times a year. Every socialization there are 50 people (6x50 = 600 people)	600 x socialization fee (approximately IDR 50,000) = IDR 30,000,000
Economy	10 beneficiaries have income above the minimum wage	10 x Rp. 3.000.000 = Rp. 30.000.000
Environment	Processing 60 tons of organic waste	60,000 kg x the price of 1 kg of waste (eg IDR 500) = IDR 30,000,000
	Processing 8.4 tons of non-organic waste	8,400 kg x the price of 1 kg of waste (eg IDR 3000) = IDR 25,200,000
	Planting 2000 trees, reducing CO2 emissions (2000x4.03x0.3594) by 2.9 tons of emissions	\$11 (11 x IDR 14820)/ton x 2.9 tons CO2 emissions = Rp 163,020 x 2.9 = IDR 472,758
		Total = IDR 2.827.272.758
	Investation : Training, benchmark study, composting house, Motor cycle, Machine, Kampong "bersemi" event & award, tree seed & planting activities, RKPL empowerment & Assistance	Total = IDR 4.943.800.000

E. KPC Cares for Seeds

The business of breeding and procuring local plant seeds has been running for fifteen years. Initially, business is run by the Mitra Tani Cooperative business and has changed to PT Hikmah Bamba Puang (HBP). It has succeeded in showing significant achievements. The achievements in this article to be discussed are divided into production, economic and social achievements.

The main achievement is in the production aspect: this business unit is able to manage the nursery and run a business to procure local plant seeds. Based on the official offer for 2017-2019 cooperation, HBP has the ability to procure 168 types of local plant seeds. In production, averages of twenty to twenty-five types of local plants are supplied to KPC. At the beginning of production, they were only able to supply 1,300 seeds per month. Then it increases every year until it reaches an average of 20,000 seedlings in 2017. By 2020, the production capacity will reach 40,000 seeds per month. The consistency of

production growth is also proportional to the monthly transaction value.

The consistency of production growth is also proportional to the monthly transaction value. In the past 15 years, there has been a significant increase in turnover value. This value is calculated based on the actual transaction value based on KPC orders. In 15 years, the transaction value increased from 60 million rupiah a year in 2005, to 2.8 billion in 2020, as shown in the graph below:

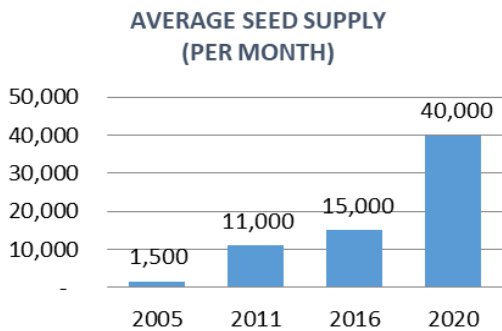


Fig.3. Monthly supply and transaction seed value

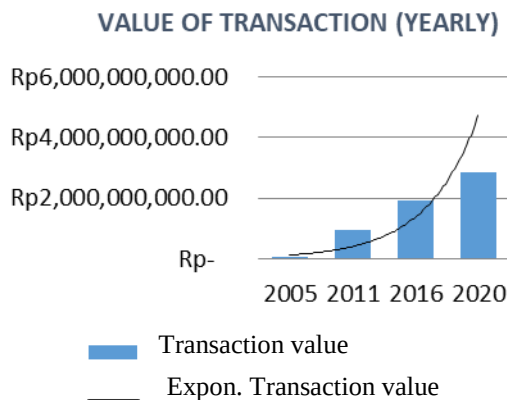


Fig. 4. Monthly Transaction seed value

F. SROI KPC Cares for Seeds Program

From Table III calculation, the total PV is = **IDR 985,204,743.01**
After determining the PV value, SROI is calculated by the formula:

$$SROI = \frac{PV}{investment} = \frac{985,204,743.01}{396,500,000} = 2.48$$

The results of the SROI calculation above show that this program brings a social benefit value of 2.48. Each investment of Rp. 1, - generates a social benefit of Rp. 2.48 for. The SROI value shows that the community empowerment program, which is motivated by the issue of the impact of mining operations, provides social benefits that are almost two and a half times the value of the company's investment.

TABLE III
PRESENT VALUE OF KPC CARES FOR SEEDS PROGRAM

Outcome & Outcome Value (IDR)	Deadweight, Displacement, Attribution & Drop Off Portion	PV (IDR)
Turnover increase 1,321,176,437	DO: Soft loan capital is returned in 5 years (5/15 x 100%). DW: 10 people from 25 (10/25x 100%). AT: HBP Collaboration with other parties PIK, INDEXIM, BUMA and PAMA (5%).	276,574,777.58
Education Benefit 5,000,000	AT: The program has routinely affected the school's agenda by 50%.	2,415,458.94
Social Benefit 802,725	DO: low sustainable rate of 30%. AT: Plant procurement influenced by Village Government: 30%	310,231.88
Operational conducive 38,500,000	AT: the influence of the government and figures in supporting the resolution of social issues is 35%. DW: the acquittal and negotiation processes play a role of 20%.	16,739,130.43
Recognition and awards 105,000,000	AT: the impact of other KPC CSR/environment programs on the award is 70%.	30,434,780.61
Economic benefits of local labor 72,220,000	AT: The effect of development and employment of East Timor is 30%.	48,844,444.44
Economic benefits of similar businesses 820,000,000	AT: the influence of the KPC program is 30%. DO: sustainability and reduced transaction value giving a 25% share	356,521,739.13
Social Security 350,064,000	DW: There is already a Prosperous Family program from the government that plays a role of 50%.	169,113,043.48
Labor health social security 168,000,000	DW: there is already a national health insurance program (jamkesmas) from the government that plays a role of 70%.	48,695,652.17
Economic benefits of HBP suppliers 183,999,621	AT: the supplier business is already running and has a market share of 70%. DS: Outside suppliers reduce the quota of local Kutim suppliers by 10%	35,555,482.3
	PV	985,204,743.01
Investations: Capital aid, training, labor cost		396,500,000.00

G. Community Satisfaction Index (CSI) measurement

Calculation of the total CSI describes the value of satisfaction with all activities holistically. The value is obtained by considering the value of the level of importance to the value of its performance. A total of 14 indicators were processed by dividing the total score by multiplying the average performance and the average level of importance by the level of importance. The results are normalized on a percentage scale.

From the Table IV. below, it can be seen that KPC's CSR Program related to the KPC care for water program has been felt to be beneficial and the rating is "satisfied"

which is 75.52% with a quality value of B. For KPC care waste program and KPC cares seed, reached 84.85% and 81,63 %. Both programs are “very satisfied” with a quality value of A

Table IV
COMMUNITY SATISFACTION INDEX VALUE

No	Indicator	CSI value KPC Cares for Water (%)	CSI value KPC Cares for Waste (%)	CSI value KPC Cares for Seeds (%)
1	Procedure Clarity	75.48	94.67 (3)	71.43
2	Participatory Planning	74.84	87.67	71.43
3	Need-based Activities	92.90 (1)	91.50 (5)	85.71
4	Community Participation in Implementation and Monitoring and Evaluation	65.81	81.17	85,71
5	Community Self-Sufficiency Level	72.26	80.00	85.71 (5)
6	Facilitator's knowledge and skills	70.32	85.50	85.71
7	Facilitator Engagement	69.68	84.34	71,43
8	Social capital	83.87 (2)	92.34 (4)	71.43
9	knowledge or skills of beneficiaries	74.19	89.50	85,71 (4)
10	Beneficiary Empowerment	76.77 (5)	90.84	71.43
11	Village community empowerment	74.19	85.50	85.71 (3)
12	Improved welfare broadly	78.06 (4)	87.67	100 (1)
13	Sustainability	64.52	99.00 (1)	85.71(2)
14	Benefit for KPC	83.23 (3)	96.17 (2)	85.71
	TOTAL	75.52	84.85	81.63

If we see deeper than the 14 question indicators, the results of the assessment of each indicator vary. The indicator value with a very satisfactory value or a Quality A value for the KPC care water program can be seen in the indicators for needs-based activities, social capital and benefits for KPC. While satisfactory indicators with B quality are found in 11 indicators.

For KPC Cares for Waste program, 12 indicators are very satisfied with A score quality. Indicators of program sustainability, benefits for KPC and clarity of procedures are the top three indicators assessed by beneficiaries. There are 2 indicators that are satisfied with the B quality score, namely community participation (81.17%) and community awareness level (80%). Sustainability indicators and aspects of benefits for KPC can be a signal that the sustainable program has been running and the benefits for KPC have been felt.

Meanwhile, for the KPC care for seeds program, it can be seen that 3 indicators such as improved welfare broadly is the highest score from beneficiaries (100 %). Then Village community empowerment, community self-sufficiency level and sustainability as the three important things from the beneficiaries' side with each score 85.71%.

H. Gap analysis of Environmental CSR program against ISO 26000

ISO 26000 is a guideline for organizations around the world on the implementation of social responsibility. As explained in the previous section, ISO 26000 has 7 core

subjects. The broad scope of core subjects shows that ISO is not only a reference standard but also an international norm for an organization regarding social responsibility ideally carried out.

Therefore, ISO 26000 is the embodiment of business ethics. For KPC, the implementation of CSR as guided by ISO 26000 is part of ensuring that business ethics are implemented according to the norms of the international business community.

One way to assess whether KPC's business ethics are carried out in accordance with the guiding norms contained in ISO 26000 is, by analyzing with the Gap Analysis method between CSR principles and the seven core subjects in ISO 26000. The closer the fulfillment of CSR principles with the seven core subjects of ISO 26000, the more ethical the business is run. In this article, there are 4 aspects that are seen from KPC's CSR, namely the CSR principle, Organization Governance, Environmental, and Community Involvement and Development

I. CSR Principle

The results of the assessment of the principle are displayed on Graph 3. It can be seen in the graph that KPC has fully implemented the seven CSR principles. with a mean value of 6.14 (87.76%).

Regarding Ethical Behaviour (Clause 4.4), corporate behaviour must be based on the values of honesty, fairness and integrity. These values imply concern for people, animals and the environment and a commitment to addressing the impacts of activities and decisions in the interests of stakeholders.

KPC has fulfilled (Fulfil) he principle of ethical behaviour in carrying out social responsibility with a score of 6 or 85,71%. Carrying out this ethical behaviour, KPC has put it into a corporate culture known as a 7 KPC's value: excellence, integrity, transparency, agility empowerment, teamwork & care.

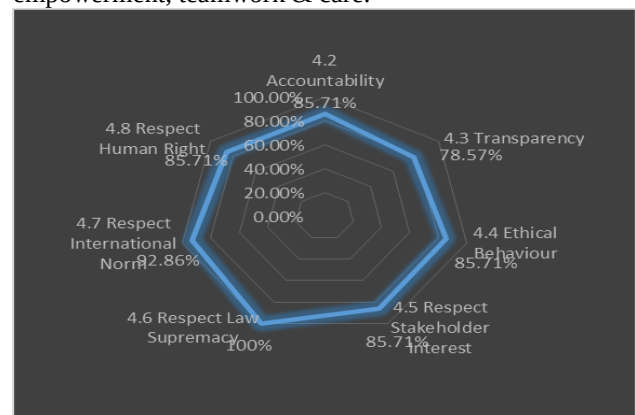


Fig 5. CSR Principle

KPC values are mandatory guidelines for every KPC Personnel in their behavior. In addition to socialization for employees, this guideline is also disseminated to program beneficiaries, business partners, suppliers and other related parties.

J. Organization Governance

Organizational governance is the most important factor of all core subjects in ISO 26000 compliance. KPC must take responsibility for the impact of decisions and activities, and for integrating social responsibility throughout the organization and its relationships with other parties.

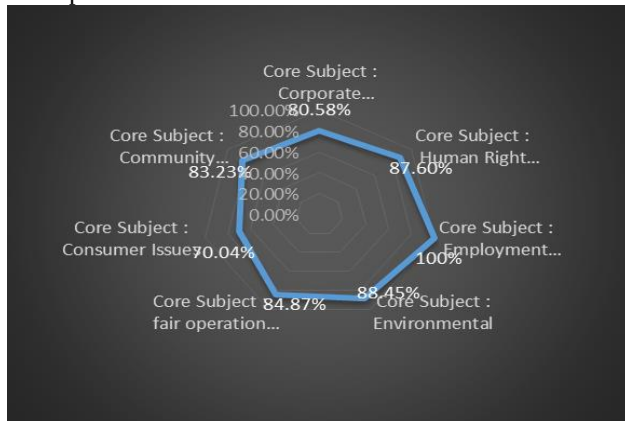


Fig 6. Value of Gap CSR KPC issue at Organization Governance

Organizational governance in the context of social responsibility has a special nature in making corporations have to act and behave to improve the corporation's ability to be socially responsible and influence other core subject.

This particular nature arises from the fact that social responsibility requires a system of organizational governance that enables corporations to provide oversight and practice core Subject principles and social responsibility issues.

From Fig. 7. below, it is explained that Corporate Governance is the key or core in the 7-core subject. The assessment of the results of this gap analysis to Corporate Governance are 80.58%. This means that the value is very fulfilling. Meanwhile, the two core subjects relevant to this paper relate to the core subject environment and CID, each with scores of 88.45% and 83.23%. This means that this value reflects that KPC's compliance has been very fulfilling.

K. Environmental Core Subject

In the ISO 26000 core subject of Environmental responsibility is a precondition for the survival and prosperity of human beings. As the global population and global consumption continue to increase, several environmental and social threats are posed. Pollution, use of natural resources, climate changes, destruction of natural habitats, and loss of biodiversity are some of the environmental issues covered by ISO 26000. In the last few years, many organizations are taking steps toward becoming environmentally and socially responsible

To reduce their environmental impact, corporations should adopt an integrated approach that considers the direct and indirect economic, social, health and

environmental implications of their decisions and activities.

Environmental responsibility is a prerequisite for the survival and well-being of human beings. Therefore, it is an important aspect of social responsibility. Environmental issues are closely related to the core subject and other social responsibility issues. Environmental education and capacity building is fundamental in promoting community development and sustainable lifestyles.

Utilization of resources for sustainable programs has been carried out by KPC, especially sustainable use of resources by using water more responsibly, and by combining or replacing non-renewable resources with sustainable, renewable resources.

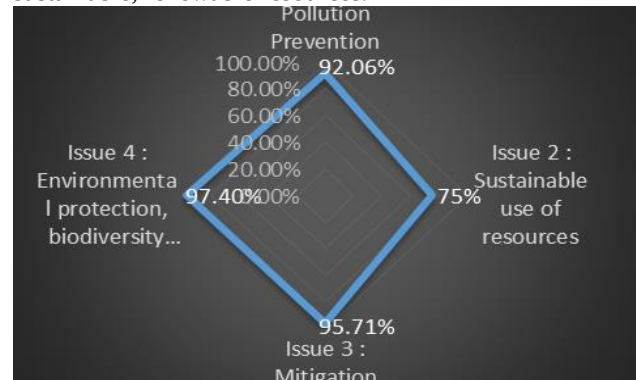


Fig. 7. Value of Gap KPC issue at environmental

The issue of job creation and skills development is accommodated by KPC as a commitment to contribute to improving the welfare of the community in a broad sense. KPC realizes that the characteristics of the energy (coal) industry are capital intensive, high technology (mechanism), and few workers. Therefore, KPC strives to develop community skills in order to create business opportunities and job opportunities in other places.

Four main areas for efficiency improvements have also occurred: energy efficiency; water conservation, use and access to water. Water resources are an opportunity, not an obstacle, such as ex-mining voids being used as schemes for the use of other areas such as recreation areas and clean water raw materials for the people of the city of Sangatta

From the Fig. 7. above that KPC has made various efforts related to pollution prevention issues (92.06%), environmental protection, biodiversity and natural habitat restoration, such as reclamation and other efforts (97.40%) global issues related to mitigation and adaptation climate change (95.71%) Although efforts to use sustainable resources still need to be improved (75%).

L. Community Involvement & Development Core Subject

CID is the important initiatives that all the organizations, public and private, can take towards developing a sustainable society. Social responsibility issues through which an organization can contribute to their communities include their involvement in and

support for civil institutions, promotion of culture and education, creation of employment opportunities and provision of full and safe access to modern technology. It can also contribute through social investment, wealth and income creation and health promotion.

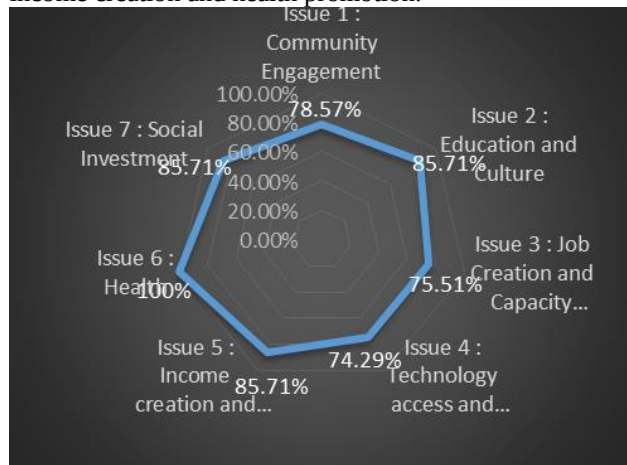


Fig. 8 Value of Gap KPC Issue at Community Involvement & Development

In the core subject of Community development and involvement, KPC has contributed a lot in community development that can help promote community welfare at a higher level. Such development, generally understood, is an increase in the quality of life of the population. Community development has been going on gradually and for a long time.

The subject of community involvement and development has 7 issues. KPC chose these seven issues as relevant issues in carrying out corporate social responsibility. The results of the assessment of KPC decisions and activities on the subject of community involvement and development are presented in the Fig. 8.

Various activities that stimulate the diversification of economic activities in the community have been carried out by KPC. Among them are: entrepreneurship training and development of community-based economic business centers. This activity is not focused on one form of business, but is adjusted to the interests and potentials of the community itself. So that small and micro household scale businesses can be developed such as handicrafts and various food processing.

From Fig. 8. above, for the core subject of CID, it can be seen that community involvement in each program has reached 78.57%. Beneficiaries of the program can also become long-term social investments (85.71%) in the realm of income generation and prosperity (85.71%) and KPC participates in encouraging job creation and skills (75.51%).

This achievement can be seen from the three programs (KPC cares about water, KPC cares about waste and KPC cares about seeds which have reflected three important components of benefits for the community by focusing on community involvement in the creation of income and employment opportunities. Furthermore, KPC

sees each of these programs as a company strategic program for social investment.

IV DISCUSSION

Mining business entities such as KPC in running their business must implement responsible corporate performance and sustainable business. This is in line with the nature of mining work which is very vulnerable to risks or negative impacts. Environmental issues are the most vulnerable and at risk of having a negative impact on society.

George Orwell and Road see that from the perception side & the several mine observer & NGO, mining is bad for the environment – there is no way around it. Environmental impacts caused by mining could include deforestation, relocation of communities, diverting rivers if a dam is needed for power purposes – the list goes on and on. Indeed, it is hard to identify a part of the world where resource extraction is expanding without conflict. (George Orwell, *Road to Wigan Pier*).

Companies with a high level of environmental impact risk must have serious and correct business ethics. On the one hand, the company must generate profit, not business as usual, but must become a mining company with "more than mining".

With a global approach by doing business in a sustainable manner for the social and economic environmental aspects that are good for stakeholders, especially the surrounding community while providing added value socially and economically for the social programs carried out. The company's social and economic investments that are currently being carried out will provide social investment to businesses from stakeholders because they get benefits and improve their quality of life.

This becomes significantly important as what KPC has done with environmental impact management in the form of an environmentally-based CSR program. The clean water program, seed procurement and waste management have provided social and economic benefits and added value. In addition, community empowerment-based programs with an emphasis on capacity building encourage people to be socially and economically capable. In addition, this program is able to create positive perceptions from stakeholders. The community, the government provides social support and trust for KPC to continue operating comfortably (social license to operate).

This is in accordance with what Irina and Stückelberger in their perspective, that the mining industry is largely criticized for environmental damages, social exploitation. Building a community's capacity to understand and effectively respond to these transformations is vital for obtaining a social license to operate, as it promotes sustainable and locally relevant development.

Accountability mechanisms, such as global norms and international standards, increasing point to the need to build capacity among stakeholders, particularly among local communities adjacent to mining operations.

Capacity building also contributes towards forging sustainable communities, achieving development aspirations, and facilitates the extension and opening of mining projects, due to extra values such as the skill shortage supply in the industry. From a theoretical standpoint, capacity building has been widely recognized, however, its linkages to gain social license to operate (SLO).

Companies must have responsibilities with good ethics. Operate in accordance with the norms of good/bad that exist in local or international communities. KPC sees the two norms so that KPC also complies with local norms and must be in line with international norm: ISO 2600 as a guide line on how to act for corporate social responsibility.

The Guidance on Social Responsibility, ISO 26000 (2010), defines capacity building as a process that assists communities to achieve social and economic development standards. In addition, it is stated that capacity building is one of the most sustainable legacies that mining companies can deliver to local communities

Operating according to good ethics, KPC still has to make a profit with a sustainable business approach, not business as usual. KPC must also provide added value benefits or good management of social, economic and environmental impacts to stakeholders, especially the surrounding community.

From the discourse above, it can be seen that the perception of mining is negative and has a negative impact that must be managed by the company properly by relying on local and international norms. The management is carried out ethically with the development of local capacities that will be more empowered for local communities. Furthermore, socially responsible programs must also provide added social, economic value for sustainable communities.

V CONCLUSION

A good company must have good business ethics. The negative impact of KPC's coal mining management must be managed properly. Management must be with a sustainable approach so as to provide benefits and added value to the surrounding community socially and economically in the present and the future.

Good mining water management will produce good water quality and can be used for raw water. Benefits are felt by the government and society. The community can get raw water in accordance with healthy raw water standards. The price is cheaper and affordable while providing future impact on health.

Economically, the cost for water consumption is decreasing and the excess money on price efficiency will be diverted to more useful things. From the government side, efficiency in spending money occurs along with good raw water quality reducing the burden of purchasing certain drugs and can be analyzed for equipment maintenance and other operational costs.

The Clean, Healthy and Independent Movement Program (KPC Cares for Waste), socially raises

awareness about good waste management in reducing the burden of waste in urban areas through reduce, reuse and recycle programs. Economically, waste becomes a blessing and has economic value. Besides, it also strengthens the role of the community in waste management that garbage has social, health & economic value.

The seed procurement program (KPC Cares for Seeds) is strategic and sustainable. Ecosystem restoration is carried out after mining with a reclamation process that requires local seeds as a conservation effort. The procurement is through a seed business program with a community-based empowerment program. Socially, efforts to preserve local seeds are achieved while economically the community is empowered to earn income and environmentally, awareness of the importance of nature conservation is growing.

KPC has shown good performance as a company in three environmental programs, namely KPC Cares for Water, Movement for Healthy Living and Independent - Gerak Bersemi (KPC Cares for Waste), and KPC Cares for Seeds. This is shown by the Social return of investment measurement tool to see the benefits and impacts of investment, the program satisfaction index of the beneficiaries and the ISO 2600 gap analysis.

KPC can be an example of a coal mining company with a CSR program in accordance with good and right ethics and norms, gaining trust from the community and being in line with the ISO 26000 global guidelines. This is also proven by KPC, mining not only looking for profit but must make efforts with business ethics by providing benefits and added value for stakeholders, especially the community.

Regarding the research questions in this article, it appears that there is a close relationship between the application of business ethics and positive perceptions. KPC's CSR programs, especially those that have a positive impact and benefit on the environment, have been proven to build positive perceptions from stakeholders, especially the community around KPC. The proof is that the implementation of KPC's CSR programs in the field of water and waste management received "satisfactory" and "very satisfactory" scores based on the CSI analysis. In line with the results of the CSI, the analysis of KPC's CSR Gap with ISO 26000 shows that KPC's CSR principles are close to the guiding standards of international norms with an achievement value above 5 or a conformity level of >71.43%.

The level of conformity of KPC's CSR with ISO 26000 shows KPC's reputation as a company that adheres to international business norms. With complying to the norm, a positive perception can be built in the local, national & international business, especially in the coal mining sector.

Moreover, this article also answers questions about the benefits and added value of the environmental-based KPC CSR program to the community. The calculation using the SROI method shows the quantification of the value of social benefits arising from the investment in

KPC's CSR programs. The SROI assessment in this article shows that the social value (profit) of the KPC Cares for Water program is IDR 3.3 for every IDR 1 invested. Likewise, the KPC Cares for Waste program provides a profit value of Rp. 2.65 for every Rp. 1 issued by KPC. Likewise, the KPC Cares for Seeds program, the value of the benefits is Rp. 2.48 for every Rp. 1 of KPC's investment.

Thus, the conclusion is that KPC's three CSR programs have consistently succeeded in providing social benefits and benefits for the community, greater than the investment value spent by KPC. Besides, it also been supported by the community satisfaction index (beneficiaries) with a very satisfactory value (A) so KPC gain the trust and positive perception from the community as a social provision for license to operate and proven that KPC as a good company by running good business ethics.

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