



A Comparative Study of the Setting on Corporate Social Responsibility (CSR) in Japan and Corporate Social and Environmental Responsibility (CSER) in Indonesia

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ABSTRACT

This study aims to analyze the regulation of CSR in Japan and explain the similarities and differences between the regulation and the mandatory-based Corporate Social and Environmental Responsibility (CSER) in Indonesia. The concept of Corporate Social Responsibility (CSR) has been known in Japan with the term Sampo Yoshi (Triple Satisfaction) philosophy of good for the seller, the buyer, society a traditional Japanese strategy for corporate longevity. Therefore, Japan is the country with the largest number of participants in the Global Reporting Initiative (GRI), where currently GRI is the most recognized CSR reporting system in the world. Using legal research methods, sourced from secondary legal materials, which were analyzed prescriptively with a statutory and comparative approach. It was obtained a study of CSR arrangements in Japan adhering to Confucianism (life and working together) shape the business culture since then, and has been very consistent with the concept of triples bottom line today. Meanwhile in Indonesia, the provision of CSER has been mandatory in Article 74, Law No. 40/2007. However, in substance, CSR in Japan and CSER in Indonesia arrangements have similarities and differences. The results of this study are expected to have implications for the discussion of the CSR Bill in the national legislation program.

Keywords: *Comparative; CSR; CSER; Jepang, Indonesia*

1. INTRODUCTION

Awareness of the importance of practicing CSR has become a trend in line with the increasing global public concern for environmentally friendly products. In addition, several incidents occurred in Indonesia, such as “the Buyat” [1],[2], “the Freefort” [3-5] “the Lapindomud” cases etc. [6-8]. In these cases, companies are made extra busy issuing such large budgets that some even stop their operations due to no longer being able to meet demands for compensation from the community because their business activities pollute the environment and even harm the surrounding community. The business world is aware that companies are no longer faced with responsibilities that are based on a single bottom line, namely corporate value which is only reflected in their financial condition, but must pay attention to the concept of “3P” (Planet, Profit and People), known as the Triple Bottom Line. This concept was put forward in 1997 by Elkington, then it became the foundation for CSR Theory

[9], where the CSR concept applied by countries at the beginning of its emergence was still based on voluntary.

Normatively, the development of the CSR concept known as Corporate Social and Environmental Responsibility (CSER) in Indonesia has become a legal obligation and is included in Article 74 of Law No. 40 of 2007 concerning Limited Liability Companies (hereinafter referred to as company law), which came into force on August 16, 2007. Since the implementation of the CSER obligation in Indonesia there have been pros and cons. The inclusion of CSER provisions in the Company Law, has actually shown how important CSER is for the survival of the business world in Indonesia. In conceptually and substance, the regulation is only regulated in the general provisions of Article 1 point (3) and Article 74 of the Company Law in conjunction with Government Regulation No. 47 of 2012 concerning Social and Environmental Responsibility for Limited Liability Companies (GR-CSER), as well as delegation regulations at the regional level through Local

Regulations. Until 2019, there have been 117 (one hundred and seventeen) local regulations that regulate CSER for companies within the territory of each district in Indonesia [10].

Nevertheless, the regulation of CSR as a legal obligation in Indonesia is inversely proportional to the regulation of CSR in Japan. Corporate Social Responsibility in Japan has been known as Sampo yoshi (Triple Satisfaction) philosophy of good for the seller, the buyer, society a traditional Japanese strategy for corporate longevity [11] In addition, CSR arrangements are not found in the Japan Company Act No. 86 of 2005 Part I-VIII.[12] Therefore, following America and Europe, Japan is now starting to realize the importance of Corporate Social Responsibility (CSR). However, it is based on the Soft Law setting in the Code of Ethics of Business and ISO 26000 [13] In fact, Japan is the country with the largest number of Global Reporting Initiative (GRI) participants, where GRI is currently the most recognized CSR reporting system in the world [14]. Currently, Japan is the country that has the most cooperation in the economic sector, including investment in Indonesia. Data from the Ministry of Investment c.q. The Investment Coordinating Board recorded that the realization of Foreign Direct Investment (FDI) carried out by Japan until 2020 was IDR 421.8 trillion or equivalent to 49.9% of Indonesia's total investment realization of IDR 826.3 trillion. In 2020, Japan occupies the fourth position as the largest FDI contributor in Indonesia, amounting to US\$ 2.6 billion [15].

In addition, the urgency of research using the comparative method is expected to provide input for the formation of the CSR-Bill which is currently being proposed for discussion at the House of Representatives Republic of Indonesia as stated in National Legislation Program for the year 2020-2024 [16]. Because as a country that has similarities in eastern culture, it certainly has more in common, this can contribute to the discussion of the CSR Bill. Based on these considerations, as a country that adheres to a civil legal system [17]. It is certainly very interesting to study the CSR arrangements in Japan. Likewise, about the similarities and differences with CSER in Indonesia. Hence, the purpose of this study is to describe the basic philosophy of the implementation of CSR in Japan and the similarities and differences in its regulation with CSER in Indonesia.

2. METHOD

This study is the result of legal research. Terry Hutchinson and Anwarul Yaqin, stated that legal research is also called doctrinal research [18],[19] or normative legal research or legal research (normative). Legal research conducted to solve 2 (two) legal issues related to the regulation of CSR in Japan, the similarities and differences with CSER in Indonesia. By using statute approach and comparative approach. Sources of legal

materials used are in the form of laws and regulations, official records or treatises in making laws and regulations, in the form of the Company Law in conjunction with GR-CSER and Japan Company Act No. 86 of 2005 (Part I to VIII) as primary legal material. Furthermore, as secondary legal materials, textbooks containing the basic principles of legal science, references and articles containing classical and modern views of scholars related to CSR are used. The technique of collecting legal materials in this study was carried out by the search for legal norms, related to CSR that applies in Indonesia and Japan, is then analyzed prescriptively, to solve the legal issues raised, as a review process in finding CSR arrangements in Japan and the similarities and differences in the regulations in the two countries.

3. RESULT AND DISCUSSION

3.1. Historical and Concept of CSR in Japan

Historical CSR in Japan has existed since the Era of 1754, through the Sampo yoshi (Triple Satisfaction) philosophy of "good for sellers, buyers, society is a traditional Japanese strategy for companies". Sampo yoshi philosophy teaches, when you go abroad for business, the most important things to always remember: To make sure that the clothes you sell satisfy all the customers in that country; Think and act customer first; Never aim for short term high profits; Be humble that you depend on God's blessings; Doing business with a mind that cares for the people of the region; Never lose faith in God so as not to have evil thoughts." The concept of CSR has been embedded in the structure of Japanese society throughout history. This is evidenced by the existence of the oldest family company in Japan, Congo-gumi firm, which was founded in 1430, around 578 AD, it was built the first Buddhist temple Shitennō-ji [20]. In its development there are more than 8,000 companies that have been established for more than 300 years in Japan. Since then, Confucian Principles such as kyosei [21] (live and work together) have shaped the company's culture, and are in perfect harmony with today's triple bottom line concept. The idea, "kyosei" as known Canon's corporate philosophy. Hence, Concept CSR in Japan "not only complies with laws/regulations and risk management, but encourages the improvement of corporate brands/human resources in the same way as corporate competitiveness," and conducts activities to promote CSR.

3.2. Regulation of CSER in Indonesia and CSR in Japan

The regulation of CESR in Indonesia based on mandatory by Article 74 of Law No. 40 of 2007 in conjunction with GR-CSER. Conceptually according to article 74 Law No. 40 of 2007, CSER is a legal obligation imposed on the company, that carry out their business activities in the field of and/or related to natural

resources. Social and Environmental Responsibility funding is budgeted and calculated as the Company's costs implementation is carried out with due regard to Reasonableness and Fairness. Regarding sanctions for companies that do not carry out CSER obligations, companies can be subject to sanctions as stipulated in the Sectoral Act. Based on research in 2019 the existence of the regulation of legal obligations is considered ineffective, total only about 2853 or (26.93%) companies that had implemented CSR, out of a total of 10,594 companies in the form of corporate in Indonesia.

In addition, the regulation of CSR in Japan refers to the provisions of soft law based on voluntary, and not found in the Japan Company Act No. 86 of 2005 Part I-VIII, which is more based on "morale obligation", and uses principles in business, including the Principles of Financial Action Towards a Sustainable Society, using a "collaborative strategy".[22] Likewise, in doing business, companies in Japan have a code of ethics known as "business ethics" apply ISO 26000, ISO 14001, OECD (the Organization for Economic Co-operation and Development) Guidelines for Multinational Enterprises, Global Reporting Initiative (GRI), and The International Integrated Reporting Committee (IIRC). Based on the 2011 survey, awareness and compliance to implement CSR by the Japan Association of Corporate Executives version of company management has been carried out by 86% of companies have implemented CSR in Japan.

3.3. The Similarity and Differences CSR in Japan and CSER in Indonesia

The similarities between CSR in Japan and CSER in Indonesia are reflected in the commitments of the two countries as countries that have a civil law system. Where both countries have committed to implementing CSR, although with terms and concepts that are influenced by the legal culture that applies in each country. Meanwhile, the differences in CSR arrangements in Japan compared to the CSER regulations in force in Indonesia are reflected in the terms, scope, concepts, funding, forms of CSR programs, CSR supervisory institutions and sanctions that can be applied if they do not implement CSR.

Especially for the term, in Indonesia using the term CSER. While in Japan the term CSR is used, which in Japanese business culture is known as Yoshi Shampoo. Furthermore, related to the concept of CSER in Indonesia, normatively it contains 4 important points: (1) CSER is mandatory for companies whose business activities are in the field of and/or related to natural resources; (2). Funding from budgeted Company's expense; (3). the amount of CSR funding is based on Reasonableness and and fairness; (4). sanctions that refer to the Sectoral Act. Likewise, the CSR concept in Japan "not only complies with laws/regulations and risk management, but encourages the improvement of

corporate brands/human resources in the same way as corporate competitiveness," and conducts activities to promote CSR.

In addition, the scope of the implementation of CSER in Indonesia applies to companies and SOEs. Specifically for SOEs which is set separately and different terms "Partnership Program and Community Development". The scope of CSR in Japan applies to companies, SOEs and MSMEs. Furthermore, the form of CSER funding in Indonesia is calculated from the Company's costs, the amount of which is based on Reasonableness and Fairness, in practice, there are several companies that apply the amount in the form of a percentage, which ranges from 1% – 6% which is calculated as company costs and or from the company's net profit. Meanwhile, the form and amount of CSR funding in Japan is not specifically regulated, but according to the custom since the era of the Mitsui-zaibatsu company, the company has issued CSR funds of 2.5% of the profits.

Furthermore, the form of the CSER program in Indonesia is carried out for limited liability companies that carry out business activities, such as: all activities related to community development, charity or philanthropy that are still dedicated to the community or environment in the surrounding area where the company is located. Meanwhile the form of CSR programs in Japan, there are 5 (five) key dimensions of CSR in Japan as follows: environment, community involvement, employee relations, consumer relations and supply chain principles. Usually companies, MSMEs, SOEs are implemented in the form of CSR programs that include product safety, environmental protection, labor rights, human rights, community development etc.

Moreover, the supervisory agency for the implementation of CSER in Indonesia, it is not regulated and there is no supervisory agency. Meanwhile, the supervisory agency for the implementation of CSR in Japan is carried out by State (The Ministry of the Environment, Ministry of Health, Labor and Welfare, and Ministry of Economy, Trade and Industry (internal control, intellectual property, etc.) [23]. In addition, about sanction if the companies does not implement CSER in Indonesia, the Company Law has been regulated but not firmly because it refers to sanctions on the Sectoral Acts, which are spread over several acts. Meanwhile, the implementation of sanctions for companies that do not carry out CSR in Japan is more based on morale sanctions.

4. CONCLUSION

Finally, as a conclusion, in principle the regulation of CSER in Indonesia is a legal obligation, which is mandatory based, while CSR in Japan is a moral obligation, which is voluntary based for companies in Japan. Although basically Indonesia and Japan have

similarities that adhere to a civil legal system, where legal culture and business activities by companies using philosophies have applied social principles. However, ethically and normatively, the CSR and CSR arrangements imposed by the two countries tend to have some differences, especially regarding the terms, concepts, scope, form of the program being carried out, as well as the form of supervision and sanctions applied if there are violations in their implementation in practice.

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