

NEW CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY REGULATION

May 01, 2012

The Government issued Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility on 4 April 2012 (“**GR 47**”). It regulates only “PT” companies, i.e. companies established under the Indonesian Company Law and so will not apply to representative offices, banks or construction companies operating in Indonesia as branches of foreign companies. GR 47 is mandatory for companies managing or exploiting natural resources or those whose business activities have some impact on “natural resource capacity functions”. For other companies it is termed to be a moral responsibility only, noting that all companies have a moral commitment to create a harmonious relationship with the environment and the local community.

Article 3 of GR 47 refers to these responsibilities being based on laws and regulations which appears to mean that the substantive requirements are to be found in prevailing laws and regulations. In other words, GR 47 appears to add nothing substantive to current obligations except to reiterate that where these obligations exist, they are obligatory, at least for some companies. This view is reinforced by article 7, which provides that companies not fulfilling their Corporate Social and Economic Responsibility (“**CSER**”) obligations will be subject to penalties under the existing laws.

GR 47 adds some details on process, including requiring CSER activities to feature in the company’s annual work plan, budget and annual report. Appropriate and reasonable CSER expenditure is to be counted as a company cost, in accordance with the provisions in the Company Law, presumably so such expenditures may be deductible for tax purposes.