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Implementation of Corporate Social Responsibility (CSR) in The Palm Oil Industry Sector in Riau Province

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ABSTRACT: This research departs from the urgency of implementing Corporate Social Responsibility (CSR) in the palm oil industry sector in Riau Province, which serves as the epicenter of national palm oil production while simultaneously facing complex social, economic, and environmental issues. This study identifies three main pillars of CSR implementation, namely (i) local economic empowerment through support for MSMEs, nucleus–plasma partnerships, and entrepreneurship programs, (ii) provision of basic services and development of social infrastructure including education, healthcare, and village public facilities, and (iii) environmental management and sustainable supply chains emphasizing forest fire control, peatland conservation, and compliance with global sustainability standards. At the regulatory level, the implementation of CSR in the palm oil sector in Riau is governed through three levels of regulation: the national legal framework (Law No. 40/2007, Environmental Law, and derivative regulations concerning social and environmental responsibility), international standards and global market mechanisms (ISPO, RSPO, NDPE, and ESG investor indicators), and regional policies in the form of CSR forums, regional regulations, and development priority maps based on local needs. However, the analysis reveals a significant gap between compliance and actual implementation. Although regulations are formally available, practices in the field often remain short-term philanthropic in nature and are not yet fully integrated with regional sustainable development agendas. This study recommends that the Regional Government (Pemda) of Riau strengthen the institutional capacity of the Regional CSR Forum, integrate CSR programs into development planning documents (RPJMD), and tighten monitoring and evaluation mechanisms based on transparent and participatory performance indicators. Thus, CSR should not merely function as a legal obligation, but as a strategic instrument to enhance the competitiveness of the palm oil industry while addressing local community needs and maintaining environmental sustainability.

1. INTRODUCTION

Riau Province is the largest center of the palm oil industry in Indonesia, while also being a region that faces the most evident social, economic, and environmental complexities resulting from plantation expansion. The presence of palm oil companies in this region contributes significantly to state revenue, job creation, and regional economic growth.[1] However, at the same time, plantation activities pose serious challenges in the form of deforestation, peatland degradation, forest and land fires, and unequal economic relations between large corporations and independent smallholders.[2] In this context, the implementation of Corporate Social Responsibility (CSR) becomes a strategic instrument to balance business interests with social and environmental sustainability.

The implementation of CSR in the palm oil sector in Riau can be mapped through **three main pillars**. First, local economic empowerment, which includes nucleus–plasma partnerships, strengthening MSMEs, and enhancing the capacity of independent smallholders. Second, the provision of basic services and social infrastructure, which relates to access to education, healthcare, clean water, and village infrastructure development. Third, environmental management and sustainable supply chains, which require

[1] Toni Alexander, Fahmi and Yeni Triana, "Tanggung Jawab Sosial Perusahaan Swasta Kelapa Sawit Terhadap Masyarakat Berdasarkan Uu Nomor 40 Tahun 2007 Tentang Perseroan Terbatas." *Fairness and Justice: Jurnal Ilmiah Ilmu Hukum* 19.2 (2021): 151-166.

[2] Hey Sulistio, Pratiwi, N. A. H., Melisa, E., Maisyarah, S., Mariana, B., Aji, A. S., dan Triandini, F., Meneropong Pembangunan Hijau di Indonesia: Kesenjangan dalam Perencanaan Nasional dan Daerah (Studi Kasus: Provinsi Kalimantan Timur dan Provinsi Jambi), *Jakarta: The Partnership for Governance Reform*, (2019):*146*.

companies to adopt global sustainability principles such as NDPE, ISPO, and RSPO to reduce ecological risks and ensure international market competitiveness.[3]

From **a regulatory perspective**, CSR in the palm oil sector in Riau operates within a multi-level governance regime. At the national level, **regulations such as Law No. 40/2007 on Limited Liability Companies, Law No. 32/2009 on Environmental Protection and Management, and Law No. 39/2014 on Plantations affirm** obligations concerning Social and Environmental Responsibility (TJSL), environmental protection, and smallholder partnerships.[4] At the international level, the presence of **RSPO, NDPE, and ESG** principles imposes additional pressure from global markets on sustainability practices. Meanwhile, at the regional level, various regional regulations **Regional Regulation and CSR** Forums established by district/city governments in Riau function as coordination and synchronization mechanisms aligned with local development priorities.

Normatively, **legal instruments and compliance standards** are relatively comprehensive; however, the implementation gap remains evident. Many companies have fulfilled administrative obligations—such as possessing CSR reports, Environmental Impact Assessment (AMDAL) documents, or ISPO certification—yet in practice, the quality of partnerships, the effectiveness of social programs, and the sustainability of environmental management continue to face significant limitations. This condition raises a fundamental question regarding the effectiveness of the CSR regulatory framework in reducing socio-ecological risks and improving community welfare in Indonesia's largest palm oil-producing region.[5]

Problem Formulation

1. How are the main pillars of CSR in the palm oil sector in Riau implemented by companies?
2. How do regulatory levels (national, international, and regional) govern and influence CSR practices in the palm oil sector in Riau?
3. How does the gap between formal compliance and field implementation manifest in the execution of CSR by palm oil companies in Riau?

Research Objectives

1. To analyze the implementation of the three CSR pillars by palm oil companies in Riau.
2. To examine the effectiveness of multi-level regulatory frameworks on CSR practices in the palm oil sector.
3. To identify the gap between administrative compliance and actual implementation in the field.

Research Significance

This research is expected to provide academic contributions to the development of CSR studies within the context of extractive industries, as well as practical benefits for regional governments, corporations, and communities in formulating CSR strategies that are more effective, measurable, and sustainable in Riau Province.

2. MAIN PILLARS OF THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE PALM OIL INDUSTRY SECTOR IN RIAU PROVINCE

The implementation of Corporate Social Responsibility (CSR) in the palm oil industry sector in Riau Province demonstrates distinctive dynamics due to its intersection with the social, economic, and environmental complexities of Indonesia's largest palm oil-producing region. Effective CSR in this context cannot be viewed merely as a philanthropic activity, but rather as a strategic instrument that integrates three main pillars, namely local economic empowerment, the provision of basic services and social infrastructure, and environmental management alongside sustainable supply chains.[6]

Local economic empowerment in the implementation of CSR within the palm oil sector in Riau occupies a strategic position, as it is directly linked to the sustainability of livelihoods for communities surrounding corporate operations. These programs include increasing the productivity of smallholder plantations, improving farmers' access to technology and financing, and strengthening cooperatives or village economic institutions. When companies are able to establish equitable partnership schemes, the distribution of added value from the palm oil industry is not solely concentrated within corporations, but is also inclusively experienced by local communities.[7]

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[3] Elsa Mardianti, *Strategi Corporate Social Responsibility (CSR) PT Perkebunan Nusantara V Dalam Menjalin Kemitraan Dengan Usaha Mikro, Kecil Dan Menengah (UMKM)*, Diss. Universitas Islam Negeri Sultan Syarif Kasim Riau, 2024.

[4] Eko Sutamto, Iriansyah and Fahmi , "Implementasi Tanggung Jawab Sosial Dan Lingkungan Terhadap Perusahaan Hutan Tanaman Industri Di Riau Berdasarkan Undang-Undang Nomor 40 Tahun 2007 Tentang Perseroan Terbatas," *Proceeding IAIN Batusangkar* 1.1 (2022): 755-762.

[5] Fahmi, *Pergeseran Tanggung Jawab Sosial Perseroan Dari Tanggung Jawab Moral ke Tanggung Jawab Hukum,* (Yogyakarta: FH UII Press, 2025), hlm. 119.

[6] Elsa Mardianti, *Strategi Corporate Social Responsibility (CSR), Ibid.*

[7] Siti Fatimah, *Implementasi Corporate Social Responsibility (Csr) Di Pt. Era Sawita Kecamatan Kepenuhan Kabupaten Rokan Hulu Provinsi Riau,* Diss. Universitas Islam Negeri Sultan Syarif Kasim Riau,

Furthermore, the provision of basic services and social infrastructure constitutes a manifestation of corporate responsibility in fulfilling the fundamental needs of communities, particularly in areas with limited public facilities. Improvements in access to education, healthcare, sanitation, and village infrastructure not only enhance quality of life but also strengthen the company's social legitimacy at the local level. On the other hand, environmental management and sustainable supply chains represent a crucial aspect in responding to challenges such as deforestation, peatland degradation, and increasing global demands for sustainability standards. The implementation of ISPO and RSPO certification, the utilization of waste into renewable energy, and land fire prevention programs demonstrate that CSR in the palm oil sector is no longer confined to social aspects, but also internalizes environmental sustainability principles within the industrial value chain.[8]

The first pillar of Corporate Social Responsibility (CSR) implementation in the palm oil industry in Riau Province is local economic empowerment. Its implementation focuses on strengthening the capacity of palm oil farmers, both through nucleus–plasma partnership schemes and through facilitating access to financing, technology, and broader markets. These efforts also include technical assistance aimed at increasing crop productivity, improving the quality of fresh fruit bunches (FFB), and reducing farmers' dependence on middlemen. The primary impacts of this approach include increased farmer income, stability of raw material supply for companies, and the creation of a more inclusive business ecosystem.[9] However, challenges frequently arise, including limited access to capital, weak farmer institutions, and low productivity levels due to the dominance of aging crops or the use of substandard seeds.[10] Effective strategies that can be undertaken by companies include strengthening cooperatives as village economic institutions, facilitating sustainable agronomic assistance, and opening access to premium markets for farmer groups capable of meeting sustainability standards.

The second pillar is the **provision of basic services and development of social infrastructure**. The implementation of programs within this dimension generally includes the construction or renovation of educational facilities, healthcare services, access to clean water, as well as the improvement of village infrastructure such as roads and bridges. Corporate contributions in this aspect not only help improve community welfare but also reinforce corporate social legitimacy within operational areas. The positive impacts achieved include a reduction in school dropout rates, improved access to healthcare services, and increased transportation facilities that support rural economic mobility.[11] Nevertheless, the challenges encountered are not trivial, encompassing limited public funding at the regional level, disparities in development across regions, and the sustainability of infrastructure maintenance after CSR projects are completed. Therefore, more effective strategies include strengthening collaboration with regional governments, establishing multi-stakeholder schemes involving participatory community engagement, and implementing measurable monitoring systems to ensure that the constructed facilities provide long-term benefits for local communities.

The third pillar emphasizes environmental management and the strengthening of sustainable supply chains. The main focus within this dimension includes the implementation of ISPO and RSPO certification, forest and land fire prevention programs, and the processing of palm oil waste—particularly Palm Oil Mill Effluent (POME)—into renewable energy sources. The resulting impacts include not only the preservation of environmental sustainability but also enhanced global corporate reputation and expanded access to increasingly stringent international markets concerning sustainability issues.[12] However, the implementation of this pillar continues to face challenges, including the high investment costs required for environmentally friendly technologies, varying levels of compliance among industry actors, and resistance from smallholders who have not fully understood the benefits of certification.[13]

2024. M. Tarigan, Sidik, *Model Manajemen Strategi CSR dalam Industri Kelapa Sawit Berkelanjutan (Studi Kasus PT Perkebunan Nusantara IV Unit Usaha Adolina)*, Diss. Universitas Medan Area, 2020.

[8] Nila Dewi Gusni, "Pengaruh Infrastruktur Dasar Dan Sosial Terhadap Pertumbuhan Ekonomi Desa Tertinggal," *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana* 8.2 (2019): 171-182. Ahmad, S. N., Lorens, D., Iskandar, A. A., Rachman, R. M., Kusuma, A., dan Sya'ban, A. R. *Pemberdayaan Masyarakat Melalui Lembaga Sosial Desa*. Tohar Media, (2024).

[9] Amru Taufan, *Implementasi Corporate Social Responsibility Pt Perkebunan Nusantara V Melalui Program Pendanaan Usaha Mikro Dan Usaha Kecil*. Diss. Universitas Islam Negeri Sultan Syarif Kasim Riau, 2024. Ishak Hasan, et al, *Masa Depan Industri Kelapa Sawit Indonesia: Kajian Ekonomi dan Sosial-Rajawali Pers*. PT. RajaGrafindo Persada, 2023.

[10] Natasia Nurwitasari, "Implementasi CSR First Resources Ltd dalam Pemanfaatan Lahan Tanam bagi Penduduk Sekitar Lingkungan Industri Provinsi Riau," (2018).

[11] Lintang Masitha, "Implementasi Revitalisasi Kawasan Kumuh di Kelurahan Ciptomulyo Malang Berbasis Prinsip Sustainable Development Goals (SDGs): Implementation of Slum Area Revitalization in Kelurahan Ciptomulyo, Malang Based on Sustainable Development Goals (SDGs) Principles, " *Jurnal Sains Sosio Humaniora* 8.2 (2024): 35-47.

[12] Nativito Kiva Hartanto, "Analysis of The Implementation of Sustainable Supply Chain Management Based on Ispo Certification Principles in Palm Oil Companies in Indonesia in 2021," *Journal of Social and Economics Research* 5.2 (2023): 341-361.

[13] Noy Gemma Frieda Erina, "Peran RSPO dan ISPO Pada Keberlanjutan Industri Minyak Kelapa Sawit di Indonesia: Studi Kasus Indofood," *Briliant: Jurnal Riset dan Konseptual* 9.2 (2024): 290-298. Nia

Strategies that may be pursued include increasing investment in waste processing and renewable energy technologies, providing intensive training for farmers and cooperatives, strengthening independent audit mechanisms to ensure transparency, and implementing the principle of **Free, Prior, and Informed Consent (FPIC)** across all environmental programs to ensure fair and sustainable participation of local communities.[14]

Table 1 CSR Analysis in the Palm Oil Sector in Riau (Three Main Pillars)

CSR Pillar	Implementation Focus	Key Impacts	Challenges	Effective Strategies
Local Economic Empowerment	Nucleus–plasma partnerships, access to financing, increased farmer productivity	Increased farmer income, stability of FFB supply	Limited access to capital, low productivity	Cooperative schemes, technical assistance, access to premium markets
Basic Services and Social Infrastructure	Development of healthcare facilities, education, clean water, and village infrastructure	Improved community quality of life, strengthened corporate social legitimacy	Limited public funding, regional disparities	Collaboration with regional governments, multi-stakeholder programs, continuous monitoring
Environmental Management and Supply Chain	ISPO/RSPO certification, forest and land fire prevention, POME waste processing	Improved environmental sustainability, enhanced global reputation, secured market access	High costs, varying compliance among actors	Technology investment, training, independent audits, FPIC with communities

Regulatory Levels of *Corporate Social Responsibility* (CSR) Implementation in the Palm Oil Sector in Riau Province

The implementation of Corporate Social Responsibility (CSR) in the palm oil plantation sector in Riau Province cannot be separated from a layered framework of regulations and standards, ranging from national legislation and regional regulations to international standards driven by market and investor mechanisms. At the level of national regulation, Law Number 40 of 2007 concerning Limited Liability Companies provides a normative foundation by affirming the obligation of Social and Environmental Responsibility (TJSL) for companies operating in or related to natural resources.[15] The core substance of this regulation is to require companies to allocate a portion of their profits to social and environmental programs as a form of corporate social accountability.[16] From the perspective of legal force, this regulation is imperative and binding; however, in practice, its implementation often remains administrative in nature, limited to annual reporting, and has not fully driven the transformation of sustainable business practices. Its relevance to Riau is particularly high, given that the province is one of Indonesia's largest palm oil industry centers, making the successful implementation of this law a benchmark for the governance of extractive industries at the national level.

Law Number 32 of 2009 concerning Environmental Protection and Management emphasizes the obligation of plantation companies to possess Environmental Impact Assessment (AMDAL) or UKL-UPL documents as operational requirements. The primary substance of this regulation lies in the prevention, control, and restoration of environmental impacts arising from industrial activities. Its legal force is fully binding, with administrative and criminal sanctions. In the context of Riau, this regulation is highly relevant to critical ecological issues such as forest and land fires (karhutla), water pollution resulting from palm oil mill waste, and

Kurniawati Hidayat, "Menghijaukan Sektor Sawit Melalui Petani, Lesson-Learned Hivos Untuk Isu Sawit Berkelanjutan," *Masyarakat Indonesia* 43.1 (2017): 143-149.

[14] Eko Priyo Purnomo, et al. *Community For Sustainable Development "Strategi Dan Tatakelola Baru Yang Berkelanjutan Bagi Pembangunan Daerah Melalui Komunitas",* Tohar Media, 2024. Nurhayati, et al. *Ekonomi Desa: Strategi Pemberdayaan untuk Pembangunan Berkelanjutan,* (Yogyakarta-Indonesia: PT. Star Digital Publishing, 025. Judijanto, L., Masri, M., Sari, F. P., Lestari, N., Islami, V., Siskawati, E., dan Eka, A. P. B. *Green Economy,* (Jakarta: PT. Green Pustaka Indonesia, 2025).

[15] Resky Pratama Saputra, Fahmi, and Yeni Triana, "The Social And Enviroment Responsibility Of Plantation Company And Oil Palm Manufacturer In Siak District," *JCH (Jurnal Cendekia Hukum)* 6.2 (2021): 252-269. Yelia Nathassa Winstar, Fahmi, and Rai Iqsandri, "Perlindungan Hukum Direksi Melalui Bussiness Judgement Rules (Bjr) Terkait Tanggung Jawab Sosial Dan Lingkungan Perusahaan," *Pagaruyuang Law Journal* (2025): 194-207.

[16] Siti Fatimah, *Implementasi Corporate Social Responsibility (Csr) Di Pt. Era Sawita Kecamatan Kepenuhan Kabupaten Rokan Hulu Provinsi Riau,* (Pekanbaru: Diss. Universitas Islam Negeri Sultan Syarif Kasim Riau, 2024). Amru Taufan, *Implementasi Corporate Social Responsibility PT Perkebunan Nusantara V Melalui Program Pendanaan Usaha Mikro Dan Usaha Kecil*, (Pekanbaru: Diss. Universitas Islam Negeri Sultan Syarif Kasim Riau, 2024).

biodiversity degradation. Nevertheless, in practice, implementation is often hindered by weaknesses in long-term monitoring and supervision, resulting in a significant gap between formal compliance and actual field performance.[17]

At the level of sectoral regulation**, Law Number 39 of 2014 concerning Plantations** mandates partnerships between nucleus companies and plasma smallholders. The substance of this regulation is the equitable distribution of economic benefits through strengthening farmer institutions, profit-sharing mechanisms, and improving local community welfare. This regulation has binding legal force; however, challenges arise in the form of variations in partnership quality and the institutional weaknesses of smallholder cooperatives. Its relevance is particularly significant in Riau, considering the large population of independent palm oil smallholders who are often marginalized within the global palm oil value chain.[18]

At the regional policy level, several district and municipal governments in Riau have initiated Regional Regulations (Perda) or Regional Head Regulations governing CSR Forums. The primary substance of these policies is to strengthen inter-corporate coordination, synchronize CSR programs with regional development priorities, and establish shared accountability mechanisms. Although their legal force is binding within their respective jurisdictions, the effectiveness of these forums depends on regional institutional capacity as well as the willingness of companies to collaborate beyond their individual corporate interests.[19]

Meanwhile, at the level of international standards and market mechanisms, the **Indonesian Sustainable Palm Oil (ISPO) and the Roundtable on Sustainable Palm Oil (RSPO)** serve as key instruments. ISPO is mandatory for all palm oil companies in Indonesia, with its primary substance focusing on land legality, environmental management, and social responsibility. Its legitimacy is strong under national law, although it continues to face criticism regarding audit credibility.[20] In contrast, RSPO is voluntary but possesses strong international legitimacy, particularly for companies targeting global markets. The substance of RSPO emphasizes stricter sustainability principles, including human rights protection and the inclusion of indigenous communities. In Riau, RSPO implementation is primarily undertaken by large corporate groups with export-oriented operations, while independent smallholders continue to face barriers such as certification costs and limited institutional access.[21]

In addition, the No Deforestation, **No Peat, No Exploitation (NDPE)** standard and **Environmental, Social, and Governance (ESG)** principles promoted by global buyers and investors increasingly pressure palm oil companies in Riau to integrate sustainability aspects into their supply chains. Although these instruments lack formal legal force, their market legitimacy and reputational pressure make them highly influential.[22] Their core substance lies in supply chain transparency, deforestation prevention, and respect for the rights of workers and local communities. The implementation of NDPE and ESG remains challenging due to limited traceability systems at the smallholder level; however, both have significant potential to accelerate the transformation of CSR from a mere legal obligation into a long-term sustainability-oriented business strategy..[23]

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[17] Fahmi, and Triana Yenni, "Forest Destruction in Riau Province: Identifying the Company's Legal Responsibility," *IOP Conference Series: Earth and Environmental Science*. Vol. 469. No. 1. IOP Publishing, 2020.

[18] Karliansyah, *Rekonstruksi Regulasi Izin Pengelolaan Perkebunan Kelapa Sawit Yang Berbasis Nilai Keadilan,* (Semarang: Diss. Universitas Islam Sultan Agung Semarang, 2023). Handewi Purwati Saliem, et al., "Temuan-temuan Pokok dan Rekomendasi Kebijakan Pembangunan Pertanian: dari Hasil-hasil Penelitian PSEKP Tahun 2014."

[19] Deby Zeriand, *Good Governance Dalam Program Corporate Social Responsibility (CSR) Oleh Badan Perencanaan Pembangunan Daerah (Bappeda) Di Kabupaten Siak,* (Pekanbaru: Universitas Islam Riau, 2020). Yogi Setiawan, *Evaluasi Pelaksanaan Program Corporate Social Responsibility (CSR) PT. RAPP Kecamatan Pangkalan Kerinci Kabupaten Pelalawan,* (Pekanbaru: Universitas Islam Riau, 2022).

[20] Ermanto Fahamsyah, and Eusebius Pantja Pramudya, "Sistem ISPO Untuk Menjawab Tantangan Dalam Pembangunan Kelapa Sawit Indonesia Yang Berkelanjutan," *Masyarakat Indonesia* 43.1 (2017): 65-79.

[21] Ayu Wulandari, and Muhammad Ansori Nasution, "Perbandingan Roundtable On Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO), dan Malaysian Sustainable Palm Oil (MSPO)," *Jurnal Penelitian Kelapa Sawit* 29.1 (2021): 35-48. Noy Gemma Frieda Erina, "Peran RSPO dan ISPO Pada Keberlanjutan Industri Minyak Kelapa Sawit di Indonesia: Studi Kasus Indofood," *Briliant: Jurnal Riset dan Konseptual* 9.2 (2024): 290-298.

[22] Irene Ester Ronauly, "Perkebunan Kelapa Sawit Indonesia yang Berkelanjutan," *Jurnal Syntax Admiration* 5.12 (2024): 5611-5624.

[23] Wiwik Handayani, S. E., Yaacob, M. D. Z., Virginia Mandasari, S. E., Nurkholis Majid, S. E., Utomo, S. S., dan SM, M., *Manajemen Operasional Berkelanjutan: Mengintegrasikan Lingkungan, Sosial, dan Ekonomi,* (Jakarta: Thalibul Ilmi Publishing dan Education, 2025).

Table 2 Comparative Analysis of Regulations and CSR Standards in the Palm Oil Sector

Regulatory/Standard Level	Legal Instrument/Standard	Core Substance	Legal Force/Legitimacy	Relevance for CSR in Riau
National	Law No. 40/2007 on Limited Liability Companies (Article 74)	Obligation for natural resource-based companies to implement Social and Environmental Responsibility (TJSL)	Legally binding (mandatory)	Serves as the primary legal basis for CSR implementation in palm oil companies
	Law No. 32/2009 on Environmental Protection and Management	AMDAL/UKL-UPL obligations, protection of surrounding communities, pollution prevention	Binding with administrative, criminal, and civil sanctions	Directs CSR to align with environmental protection and community rights
	Law No. 39/2014 on Plantations	Obligation for partnerships with smallholders, social responsibility, community empowerment	Binding	Strengthens local economic empowerment through nucleus–plasma partnerships
International / Market Standards	Indonesian Sustainable Palm Oil (ISPO)	Mandatory sustainability certification in accordance with Indonesian regulations	Mandatory for all palm oil business actors	Ensures compliance with national standards and export competitiveness
	Roundtable on Sustainable Palm Oil (RSPO)	Global sustainability standards (social, environmental, human rights)	Voluntary but influential for global market access	Opens access to premium markets and enhances global reputation
	NDPE (No Deforestation, No Peat, No Exploitation)	Sustainability principles in global supply chains (zero deforestation, no peat, no exploitation)	Soft law but required by international buyers	Ensures access to European/US markets and reduces reputational risks
	Environmental, Social, and Governance (ESG)	Sustainability standards based on investors/financial institutions	Voluntary but highly influential in investment assessments	Encourages palm oil companies to attract sustainable investment
Regional (Province & District/City in Riau)	Regional Regulations / Head of Region Decrees on CSR/TJSL Forums	Establishment of CSR forums, thematic priorities (education, health, forest fires, MSMEs, village infrastructure)	Binding within respective jurisdictions	Serves as an official coordination channel and legal legitimacy for CSR programs
	RPJMD (Regional Medium-Term Development Plan)	Integration of CSR programs with regional development priorities (poverty alleviation, stunting reduction, forest fire mitigation)	Binding within regional development planning	Aligns corporate CSR with sustainable development targets in Riau

Legal Instruments and Formal Compliance Standards (Compliance) in the Implementation of Corporate Social Responsibility (CSR) in the Palm Oil Sector in Riau Province

The alignment between formal regulatory frameworks and the practical implementation of CSR among palm oil companies in Riau reveals a complex dynamic. At the level of legal instruments and formal compliance standards, the normative framework is relatively comprehensive, ranging from CSR obligations as stipulated in Law Number 40 of 2007 concerning Limited Liability Companies, environmental provisions under Law Number 32 of 2009, partnership mandates under Law Number 39 of 2014 concerning Plantations, to sustainability standards such as ISPO and RSPO. These instruments collectively establish layered obligations, emphasizing that palm oil companies are not merely profit-oriented business entities but also development actors required to integrate social, environmental, and governance dimensions into their operational practices. From a compliance perspective, the majority of companies in Riau attempt to fulfill administrative requirements, such as preparing annual CSR reports, maintaining AMDAL documentation, establishing plasma partnership schemes, and pursuing ISPO certification.

However, when examined from the perspective of field implementation (practice), a considerable variation emerges between large-scale corporations, medium-sized enterprises, and smallholder plantations. Large corporations—particularly those with export orientation—tend to demonstrate greater consistency in implementing CSR in accordance with international standards due to global market pressures, for instance through the adoption of NDPE principles or RSPO certification. In practice, these include community empowerment programs, the development of educational and healthcare facilities, as well as the application of environmentally sustainable agronomic practices. In contrast, medium-scale enterprises and independent smallholder plantations are more frequently confined to short-term philanthropic CSR patterns, such as the distribution of basic necessities or the construction of simple public facilities, without a long-term strategic orientation.[24] This condition reflects a disparity between regulatory expectations and the pragmatic realities of implementation on the ground.

Empirical indicators of this condition can be observed through annual reports, sustainability audits, publications of regional CSR forums, as well as case studies conducted by independent institutions. For example, certain companies have successfully obtained ISPO or RSPO certification as indicators of compliance; however, on the other hand, land conflicts with indigenous communities or allegations of forest encroachment persist. Another indicator is the limited involvement of independent smallholders in sustainability programs, despite their inclusion within regulatory frameworks as stakeholders that should be integrated into sustainable supply chains. These findings demonstrate that administrative compliance does not necessarily correspond with the quality of implementation in practice.[25]

Upon closer examination, the level of disparity (gap level) varies across CSR pillars. In the environmental dimension, the gap is relatively high, as evidenced by recurring forest and land fires, water pollution, and peatland degradation, despite the formal existence of AMDAL documentation or ISPO certification. This indicates weaknesses in enforcement mechanisms and the insufficient internalization of regulatory standards into operational procedures. In the social dimension, the gap is reflected in the implementation of plasma partnership schemes regulated under the Plantation Law. Numerous cases in Riau indicate delays in fulfilling the 20% plasma obligation, lack of clarity in profit-sharing mechanisms, and weak bargaining positions of smallholders.[26] Meanwhile, in the economic dimension, the gap tends to be relatively lower, as philanthropic programs are easier to implement, although their sustainability remains questionable.

Accordingly, the most significant disparities are found within the environmental and social dimensions, while the economic dimension appears more visible yet often remains ceremonial in nature.

Based on this gap analysis, several priority recommendations emerge to strengthen CSR implementation in the palm oil sector in Riau. First, at the regulatory level, there is a need to harmonize formal obligations with more transparent monitoring mechanisms, including strengthening the capacity of regional supervisory institutions. Second, in the social dimension, companies must shift the CSR paradigm from philanthropy toward empowerment, particularly by integrating independent smallholders into sustainable supply chains. Capacity-building programs, access to financing, and the transfer of environmentally friendly agricultural technologies should be prioritized. Third, in the environmental dimension, sustainability standards must be reinforced through the integration of satellite-based monitoring technologies or traceability systems, ensuring that compliance is not limited to administrative documentation but is reflected in actual land management practices. Fourth, at the governance level, regional CSR forums should be optimized as effective multi-stakeholder coordination platforms rather than mere formalities, serving as mechanisms to align CSR programs with regional sustainable development priorities. Fifth, international standards such as RSPO, NDPE, and ESG should be further internalized by domestic companies, supported by regional government incentives to ensure accessibility not only for large corporations but also for medium-scale enterprises and smallholders.

Thus, the CSR compliance matrix in the palm oil sector in Riau demonstrates that although legal instruments and formal standards are relatively adequate, implementation gaps remain significant, particularly in environmental and social aspects. This analysis

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underscores the importance of an integrative strategy that connects formal compliance with consistent, evidence-based practices oriented toward long-term sustainability.

The following matrix analysis of compliance–implementation gaps is systematically designed to assess the extent to which palm oil companies in Riau Province comply with regulatory instruments/standards and how far field implementation reflects such compliance. This matrix identifies areas that are relatively optimal, require improvement, or are high-risk (large gaps), along with typical implementation evidence and brief recommendations to minimize such gaps.

Table 3 Compliance–Implementation Gap Matrix (Palm Oil Companies in Riau)

Instrument / Standard	Legal/Formal Compliance	Field Implementation (Practice)	Common Evidence/Indicators	Gap Level	Priority Recommendations
Law No. 40/2007 (Article 74) – TJSL	Most companies include TJSL in policies; CSR reports available	Implementation often administrative (PR-oriented projects) without strategic integration	Annual CSR reports, corporate disclosures	Medium	Integrate TJSL into strategic planning & management KPIs; independent CSR audits
Law No. 32/2009 (AMDAL/UKL-UPL)	AMDAL/UKL-UPL generally fulfilled at initial licensing stage	Environmental mitigation implementation varies; weak follow-up monitoring	AMDAL documents, periodic environmental monitoring reports	Medium–High	Strengthen continuous monitoring mechanisms; public disclosure of environmental data
Law No. 39/2014 (Plantations – Partnerships)	Partnership policies exist (nucleus–plasma)	Partnership quality fluctuates; weak institutional capacity in many cases	Presence of PKS, plasma statistics	High	Strengthen cooperative institutions; incentive schemes & pre-audit mechanisms
ISPO (national)	High administrative compliance (registration/certification)	Practical compliance varies; some units do not meet all criteria	ISPO certificates, internal audit reports	Medium	Pre-audit programs; capacity building for non-compliant units
RSPO (international, voluntary)	Adopted by some large groups; many companies reluctant due to certification costs	Lowest implementation among smallholders/plasma	Limited RSPO certification, ICS/gap reports	High	Targeted RSPO roadmaps; group certification financing for smallholders
NDPE (buyer-driven)	NDPE policies adopted for export-oriented suppliers	Supply chain compliance (tier 2–3) difficult to monitor; hidden deforestation persists	Buyer policies, supplier lists, satellite alerts	High	Full supply chain traceability; supplier audits; contractual enforcement
ESG (investor-driven)	Increasing disclosure among large companies	ESG integration into governance and measurement still at early stage	ESG reports, financial institution scores	Medium	Harmonization of ESG metrics; integration into risk management & remuneration
Regional CSR Forum Regulations	Many regional governments have established CSR/TJSL forums	Multi-stakeholder coordination not optimal; forums sometimes inactive	Forum decrees, limited coordination meetings	Medium	Activate forums: secretariat, data sharing, pooled funding mechanisms
RPJMD (synchronization)	Regional priorities formally established (fires, education, stunting)	CSR–RPJMD alignment remains inconsistent	RPJMD documents, occasional synchronization programs	Medium	Integrate CSR into development planning forums (Musrenbang); formal MoUs with regional agencies

The matrix analysis reveals a general pattern: while formal compliance (administrative compliance and initial certification) is relatively high at the corporate level, actual implementation in the field demonstrates significant variation, particularly in

smallholder partnerships, advanced supply chain compliance (traceability), and the continuity of environmental mitigation post-licensing.

Market-driven instruments (RSPO, NDPE) and local institutional mechanisms (nucleus–plasma implementation, CSR forum roles) exhibit the largest implementation gaps, as they require long-term investment, institutional capacity, and independent monitoring mechanisms. To address these gaps, several priority measures are necessary: (1) strengthening pre-audit mechanisms and capacity building for farmer groups; (2) establishing adequate traceability systems up to tier 2/3; (3) enforcing post-AMDAL environmental monitoring with publicly accessible data; and (4) activating regional CSR forums through permanent secretariats and pooled funding mechanisms for cross-company programs.

Such interventions will shift CSR from ad hoc project-based activities toward strategic integration that supports industrial sustainability and long-term social legitimacy.

3. CONCLUSION

This research affirms that the implementation of Corporate Social Responsibility (CSR) in the palm oil industry sector in Riau Province is grounded in three principal pillars: (i) local economic empowerment that promotes MSMEs and plasma partnerships, (ii) the provision of basic services and social infrastructure such as education, healthcare, and public facilities, and (iii) environmental management and sustainable supply chains oriented toward preventing deforestation, controlling forest fires, and implementing global sustainability standards. These three pillars operate within a layered regulatory framework, ranging from national legal obligations (corporate, environmental, and social laws), international standards such as ISPO, RSPO, and NDPE, to regional policies in the form of CSR forums and thematic development priority maps.

Despite the availability of formal compliance instruments, this study identifies a persistent implementation gap in practice. The primary challenges lie in governance limitations, weak monitoring mechanisms, and the lack of integration between CSR programs and regional development planning. As a result, many CSR initiatives remain short-term and philanthropic, rather than strategic and sustainable.

4. POLICY RECOMMENDATIONS

The Regional Government of Riau should strengthen the institutional capacity of Regional CSR Forums, integrate CSR implementation into the Regional Medium-Term Development Plan (RPJMD), and develop evaluation mechanisms based on transparent and participatory performance indicators. Through these measures, CSR can evolve into an inclusive, measurable, and impactful instrument of sustainable development for local communities.

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