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# PR CSR!

Indonesia  
and  
Malaysia  
Experiences

**ASPIKOM**  
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# INCORPORATING BALINESE LOCAL WISDOM IN CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES:

## Lessons from Aqua Danone Bali, Indonesia

Yeni Rosilawati

### INTRODUCTION

Corporate Social Responsibility (CSR) is an important tool that can be utilized to address the social and environmental impact of company activities (Frynas, 2009). CSR is a strategic corporate initiative receives an increased amount of attention, provides more benefits to an organization than simply reducing costs by recycling and giving back to the community. CSR aims to encourage businesses to be more ethical in their actions and not to negatively influence the society and the environment.

According to a 2007 survey conducted by the consultancy firm McKinsey, the society has greater expectations compared to years ago and this is assumed as public responsibilities. More than half of the CEOs believe that these expectations increase further the next five years (Argenti, 2009). Every organization today needs to consider corporate philanthropy and social responsibility, as these closely relate to the organizational reputation. In 2007, Cone Cause Evolution & Environmental Survey results revealed that 83 percent of Americans believe that companies have responsibilities to help support causes; 92 percent have more positive image towards a company that supports a cause they care about; and 87 percent are more likely to switch from one product to another (price and quality being equal) if their product is associated with a good cause—an increase from 66 per-

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cent (Cone Cause Environmental Survey, 2007).

CSR means that business act in a more ethical and responsible to the various stakeholders and the public. Many cases of companies that deal with CSR issues. Severe environmental damage and dishonorable conduct of business practices that have a negative impact not only to the community but also make the company suffered a loss of reputation and loss. In Indonesia, the obligation for companies to do CSR activities is listed in act number 40 of 2007 article 74 of the Limited Liability Company (Tamam Achda, 2006). CSR activities are carried out to preserve the sustainability of the natural environment directly or through collaboration with other stakeholders. CSR activities are usually performed through environment campaign, education and training, forestation, establishment of green open spaces and parks, saving of natural resources that are used in factories or stores, the application of recycling and reuse of products

The responsibilities of companies in developing nations are also defined differently depending on the social-especially national-context; for instance CSR among Malaysian firms is partly motivated by religious notions and Islam's precriptions of certain business practices; while the specific flavour of CSR in Argentina can be partly attributed to Argentina's economic crisis in December 2001 (Frynas, 2009). In Indonesia, many of CSR programs are conducted not in accordance with the needs of community since there is a lack of base line data of the community and the lack of corporate organizations that perform such assesment including the socio-culture aspect (Bambang Rudito & Melia Famiola, 2013). Meanwhile Bambang Hidayana (2011) found that CSR initiatives should strengthening the local wisdom of the community where the company operates. CSR initiatives and programs can be obtained from the local wisdom that characterizes local community. CSR practitioners should be sensitive to the needs and have sounds of knowledge of the local wisdom. They should support the social development of the society and improve trustworthiness of the business.

CSR practitioners should understand the problem of socio and cultural issues of the community before they undertake any CSR Programs (Amaeshi et al, 2006; Pimpa et al, 2014; Kapelus, 2002; Dody Prayogo, 2013; Mostardeiro & Duarte 2007). Po-Keung Ip (2008) noted that the increasing attention to CSR in

recent years in advanced economies in the west, CSR awareness in Asia is rather low, both in corporate level and state level. Belal & Momin (2009) also mentioned that most of CSR studies conducted so far have been in the context of developed countries such as Western, Europe, The USA and Australia and that we still know too little about practices in ex-collonial, smaller and emerging countries.

While Robertson & Fadil (1999) further explained that the firms must apply ethical and moral standards to address cultural differences with respect to CSR. Understanding culture is important with respect to CSR as societal-if not stakeholder-concerns vary from country to country. When extending a CSR strategy to host countries, various aspects, such as local cultures, regulatory environments, NGO's and global standards, must all be taken into consideration.

According to Burton et al (2000) in Galbreath (2006), he mentioned that different cultures will emphasize different values; what is important to one culture at one time maybe not be important to another culture. These values may effect both the role institutions assume within society and what society expect of those institutions Further, Dobers & Halme (2009) suggests that it needs to be studied in the context where CSR is being practiced. Looking at studies of CSR or sustainable development in the context of developing countries or trasion economy, little is done

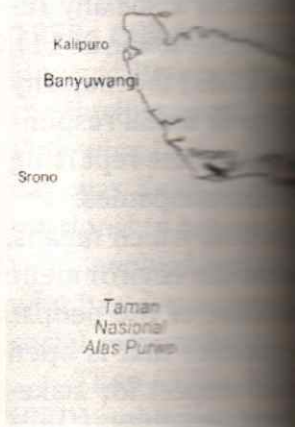
### AQUA DANONE- BALI BACKGROUND

The CSR of Aqua Danone - Bali is deeply rooted in the commitment of the company. The commitment is the way to conduct business which not only concerns the economic performance of the company but also jsocial issues. This idea is in accordance with the principles of the founder of Aqua, Tirto Utomo, who believes that businesses should contribute towards the society. This idea was mooted in "Aqua Lestari" in 2006. It is a sustainable initiative using the Danone Way and ISO 26000 as a sustainability report reference (SR Report Aqua, 2012).

Aqua Danone - Bali is one of mineral water producer belongs to Aqua Group. Aqua Group is the biggest bottled water producer in Indonesia, controls around 40 % percent of Indonesia's bottled water market and is owned by France's Danone. Aqua Group which invest around \$100 million a year in Indone-

sia, currently has 10 more water plants. The CSR program is systematic. Aqua only give benefit to the community.

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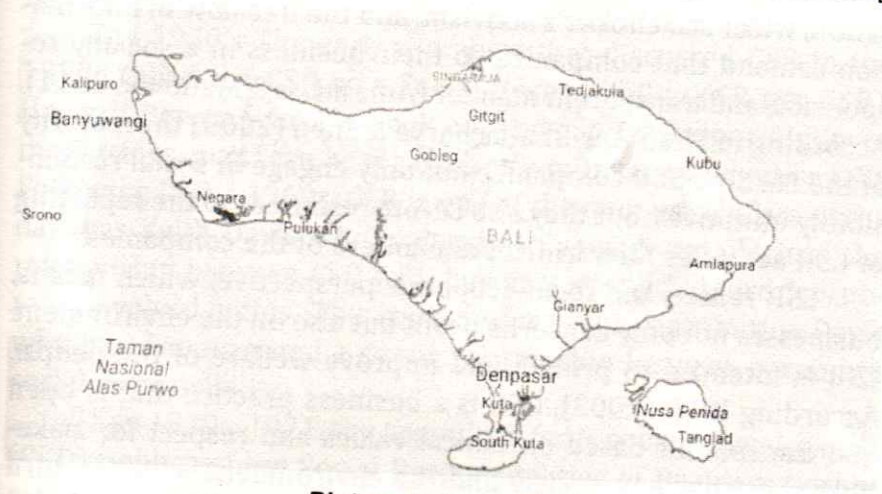


### METHODOLOGY

This paper uses a case study method to study local wisdom that affects Social Responsibility (CSR) in Indonesia. In depth, the leader of Plaga village discusses issues and strategies

sia, currently has 17 Aqua plants in the country and aspires to launch 10 more within the next few years Aqua Group performs CSR through community development in the education, health, facilities and the environment conservation in accordance with the function, objectives, and CSR Dimesions (Profit, People, Planet). The CSR program are based on sustainability development, which is systematic. Aqua Group implement CSR in two ways, which not only give benefit to the company but also the local community

Aqua Danone Bali CSR initiative comprises of four pillars, first, the Water Preservation and Environment as an effort of the company to keep and preserve both quantity and quality, of the operational dan for environments; second Eco Friendly Business Practice as a comitment to operate to the nature; third, Managing the Product Distribution, to manage the effect which is caused by the distribution from the factory to the company; and forth Incorporating and Empowering the local communities to support social cohesion and local economy for a social harmony



**Picture 1) Map of Bali**

**METHODOLOGY**

This paper used a qualitative research approach, specifically, a case study method of inquiry. This research aims to identify the local wisdom that affecting the implementation of Corporate Social Responsibility (CSR) by choosing a case study in Aqua Bali in Indonesia. In depth interviews were conducted with community leader of Plaga village and working managers who deal with CSR issues and strategy on day-to-day basis. Secondary data included

information about CSR program based on sustainable reports downloaded from the company's website, as well news and information downloaded from the internet and other sources

## GENERATIONS OF DATA

### The Concept of CSR

CSR has become of subject debate due to the huge impact it has on businesses and the society. Corporate operational disasters like Union Carbide gas leak in Bhopal in 1984 and BP's oil spill in the Gulf of Mexico in 2010), corporate fraud (e.g Enron in 2001 and World Com in 2001), corporate collapse and failure (e.g the failure of the US investment banks such as Lehman Brothers, Merrill Lynch and Bear Stearns in 2008) contributed to this problem (Sun, et al, 2010)

Globalisation and the expanding activities of stakeholders and free flow of information require businesses to perform CSR practices more responsibly and transparent. The impact of globalisation, wider stakeholder's activism, and the free flow of information demand that companies do their business in a socially responsible and transparent manner (Amaladoss & Manohar, 2011). According to Shuili Du, Bhattacharya & Shen (2009) the majority of the Fortune 500 companies not only engage in social responsibility initiatives, but they also devote resources to the reporting of CSR activities for various stakeholders of the companies.

CSR reflects the socio-economic perspective, which means, businesses not only concerns profit but also on the environment CSR is intended to protect and improve welfare of the people. According IBLF (2003), CSR is a business practice that is open and transparent based on ethical values and respect for stakeholders, employees, society and the environment which in turn will contribute to sustainable business success. This definition emphasizes on the socio-economic and environmental aspects. Meanwhile, according to Robbins and Coulter (2010):

*A business firm 's obligation, beyond that required by law and economics , to pursue long term goals that are good for society. Also note for the definition views business as a moral agent. In its effort to do good for society , it must differentiate between right and wrong*

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CSR is a company's obligation that goes beyond the limits of law and economics, to obtain long-term goals that are beneficial to society. From this view we can see the business as a moral agent. To be able to do good things to society, they shall distinguish between right and wrong. Commitment to act legally and have contributed to the increase in the same economy with improved quality of life of employees and their families, local communities and society at large. According to Chrysanti-Hasibuan Sedyono (2007) most people still see CSR as an initiative to improve the reputation of an action that is noble and generous. Only a few people see CSR as a philosophy that supports the company's operations.

According to Chrysanti-Hasibuan Sedyono (2007) most people see CSR as initiatives to raise the reputation of a noble and generous action. Only a few people view CSR as a philosophy that underpins the operations of the company. Hidayat (2009) in Yusuf Wibisono (2007) describes the stages of the history of the CSR as follows:

The 1950's The early literature that discussed CSR in the 1950s called the CSR as a Social Responsibility (SR not CSR). Howard Bowen with his book entitled "Social Responsibility of the Businessman" can be regarded as a milestone in modern CSR. Following in the 1960s, CSR is one of the famous scholars of the day was Keith Davis who managed to provide insight into the relationship between CSR with business strength. Word "corporate" involved in this. This could be due to the contribution Davis who has demonstrated a strong relationship between corporate social responsibility.

Then 1970s. 1971, the *Committee for Economic Development* (CED) published the *Social Responsibilities of Business Corporations*. The 1970's also marked by the development of definitions CSR. In the article entitled "Dimensions of Corporate Social Performance", S. Prakash Sethi provided an explanation for the behavior of corporations, known as a social obligation, social responsiveness and social responsibilities. In the 1980s this era was marked by efforts directed to better articulate more precisely what exactly is corporate responsibilities. In 1987 the United Nations through the *World Commission on Environment and Development* (WECD) published a report entitled *Our Common Future*. The report makes environmental issues as a politi-

cal agenda that ultimately aims to promote development policy-making that is more sensitive to environmental issues. This report became the basis of multilateral cooperation within the framework of sustainable development.

Following in the 1990's, Earth summit held in Rio De Janeiro in Brazil 1992 and was attended by 172 countries with the main theme of the Environment and Sustainable Development. The meeting resulted in Agenda 21, Rio Declaration, and several other agreements. The final outcome of the meeting emphasized the importance of Eco Efficiency used as the main principle of doing business and running the government. The concept of CSR starts echoing after convening World Summit on Sustainable Development (WSSD) in Johannesburg 2001, South Africa.

### Local Wisdom

Local wisdom is a format of expression. It is the accumulation of ethnic cultures, which generally refers to people who do their activities and behave accordingly adjust to an idea, and eventually their actions generate certain outcomes. This includes, the beautiful Borobudur and Prambanan temples, vernacular houses, the Subak water system in the Balinese rice fields, and the Batik, the worldly known cultural heritage (Irmayanti Meliono, 2011). They all show that there are underlying ideas and activities in the making of artifacts of other forms of elegant and magnificent ethnic productions of Indonesia. This also indicates that the local wisdom of the Indonesian culture is a compilation of ethnic cultures, a process expressed in the lives of a people through learning practices.

According to Kongprasertamorn (2007) local wisdom refers to the knowledge that comes from the community's experiences and the accumulations of the local knowledge. Local wisdom is found in societies, communities and individuals. According to Kongprasertamorn (2007), local wisdom as knowledge based on the experiences of people that is handed down over the generations, sometimes by those who may be seen as village philosophers. This knowledge as guidelines for people's daily activities and the relationships that they have with their families, neighbours, and other people in the village and the surroundings. They conclude that the characteristics of local wisdom are firstly, local wisdom must incorporate knowledge of virtue that teaches people about

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ethics and moral values. Secondly, local wisdom must teach people to love nature, not to destroy it; and the third, local wisdom must come from older members of the community.

Companies should always be involved with the community. They should explore local source, engage in exploration and production activity and bring in employees into the community. By implementing CSR programs, companies give back their profit through the programs such as Community Development to the communities. Companies should learn and have an understanding of local wisdom. Company must give benefit towards the society (Bambang Hudayana, 2011). It is important to note however, many of the CSR programs are conducted not in accordance to the local needs. These programs should consider the data baseline of the local community society including socio culture aspects (Bambang Rudito & Melia Famiola, 2013). The local characteristics comprise of local values or local wisdom. They can be function as a social capital to develop and improve the sustainability of CSR (Alfitri, 2011). Before implementing CSR programs, practitioner should first have a sound understanding pertaining to the problem of socio and culture (Amaeshi, etal, 2006). The CSR programs should be based on local issues, cultures and traditions of the community. It should also into consideration the community's history that can influence CSR programs (Chapple & Moon, 2005)

### **The Balinese Local Wisdom**

One of the most popular local wisdom is *Tri Hita Karana* or called THK. Tri means Three, Hita means happiness karana means source. It refers to the three sources of happiness. *Tri Hita Karana* emphasizes on the importance of maintaining harmony in this world. The concept holds that God, man and nature are inseparable, and happiness and prosperity can only be achieved if all humans life is in balance and harmony with God, other human and the environment (Kasa, 2011)

According to Siswanto etal (2014), THK can provide guidance on how human beings should behave towards three things: the relationships between humans (*Pawongan*), the environment (*Palemahan*) and with God (*Parahyangan*) so that man can achieve sustainability. *Parahyangan* is one of the three concept related to God. At this this stage, the human is demanded to keep harmony

and balance with God.

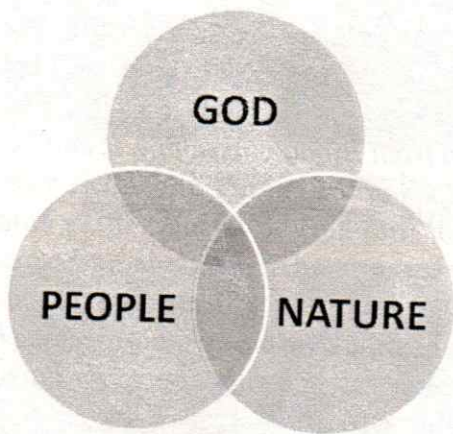
This concept has huge meaning to Balinese people. It does not only refers to the religion performance, but also other perform activities such as building temple, cleaning temple, keeping the religious symbols, and preserving the environment. Meanwhile, *Pawongan* in this concept is required to keep the harmony and balance relations between human and environment. This concept emphasizes how to keep good relations with others. *Palemahan*, meaning *lemah* (land) or environment. Generally the *Palemahan* refers to all aspects that are related to the environment.

According to community leader of Plaga village, THK can be found in the daily lives of Hindu Bali community. They give offerings to God, they perform prayers because they believe God will facilitate and give an ease when ever we perform prayer regularly. God will bless all the efforts that they have made. They also perform *gotong royong* (mutual help) as manifestation of THK. They help other people, neighbours, friends, who need a help. They believe that, if we make others happy, our lives will be blessed. He also stresses about how to make a good relationships with others without being judgemental and without telling bad things about others. Further, for the nature, we also have to preserve the environment. If we cut down trees, we have to plant new trees. So this is how the Balinese community keep and preserve the nature.

The Governor of Bali, Mangku Pastika in the opening ceremony of APEC Summit 29th November 2013 explained that the concept of *Tri Hita Karana* is implemented in the Balinese society's life. That's why Bali was called The Island of God, The Island of Paradise, The Island of Peace and The Island of Love. While Mari Pangestu, as a chairperson in UN-SDN offered Tri Hita Karana in international conference as a part of APEC Summit 2013 in Nusa Dua, Bali ("*Tri Hita Karana antarkan Bali*", 2013). According to Mari Pangestu, THK concept tried to harmonize the human values and society and also the nature which can be implemented in Sustainable Development. From the international conference in Bogor Agriculture Institute (IPB) titled "*Enhancing and Promoting Real Values of Tropical Biodiversity of Southeast Asia*", it is mentioned that the damage of ecosystems in the world and particularly in South East Asia becomes worse recently. The conference mentioned ecosystem damage that occurred from 1970-2012 which resulted in a 30 % loss of biodiversity in the world wide. In

Southeast Asia , the natural damage that occurred and led to the degradation of ecosystems as well as the extinction of 60 % of the region's biological diversity ("Pertaruhan pertumbuhan ekonomi APEC", 2013)

According to Wisnu Wardhana, the chairman of THK Foundation, mentioned that THK has been adopted in the development and the stakeholders in Bali should implement the values in their institutions. THK foundation noted that more than 2000 members of hotel and restaurants association in Bali, it still only 105 hotels that has been implemented the THK concept. Governor of Bali Mangku Pastika endorsed all the businessman in Bali should take responsible and taking care of the future of Bali. He also encourages all the businessman should respect the culture and local wisdom in Bali ("105 hotel di Bali implementasikan, 2013)



*Picture 2: Tri Hita Karana*

Further, the CSR process that carried out by Aqua Bali:

- 1) The planning phase: it began with data gathering and information from the community involved, facilitated by a forum or meeting conducted by banjar called as Sangkep-an, the certain meeting conducted by Subak (farmer organization) that were doing intensively. Banjar adat represent a social unity that based on region unity. Member of banjar adat meet at certain days which has been specified in Bale Banjar, a building property of banjar that used for common activity. According to the CSR Coordinator:

*"The planning process involves community. The kind of project or activity that will be carried out, and how it should be done. There are many forums that we can take part in, such as regular meeting (sangkepan) in Banjar and Subak. After the meeting is over, there should be a consensus. The overall process beginning with the identification of the problem"*

She further explained:

*"In planning phase, risk analysis should be carried out, and this is followed by the social mapping . All aspects will be identified, stakeholders mapping, socio culture aspects, economic aspects, environment, minority group, and all potentials Then only CSR will be carried out. CSR activities always community participation"*

She added:

*In Bali, the culture is very important. Thus, CSR activities should consider the local wisdom that belongs to the society, such as Tri Hita Karana (THK). Tri Hita Karana is derived from Hindu philosophy. It emphasizes on the conservations of the culture and environment. The main essence of Hita Karana includes three kind of relations between human and God, human and other human and human with environment which are inseparable. Every relationships should be based on respect with each other. The principle of relationship is based on harmony and balance*

She deliberated:

*"Tri Hita Karana is inherent in the CSR programs. Based on the Tri Hita karana philosophy, we derived the water conservation program. It represent human life live in balance and harmony with God, other human and the natural environment. We name the program "Ayung Lestari". We are concerned with the river that is a source of water to people. For Balinese community, the river also functions as the holiest place to do rituals such as melasti, performing prayers That's why the river should be kept clean and well preserved"*

- 2) Implementing the program: The CSR programs involved various stakehoders including local communities, local government and the NGOs, university and other parties . The CSR activities that are conducted by the company are as

follows :

- 1) *Forestation: The company collaborated with the local communities to plant 525 mangoosteen trees in Subak Buangga and 100 coconut trees in Bongkasa Pertiwi Village. The program also rehabilitate water conservoir in Tinggan Village and developed biopori and infiltration weels*



**Picture 3) Forest conservation, they have planted 39.189 trees and 32.100 between 2012-2015**



**Picture 4) The villagers plant hydram pipe to bring up water level from the water source. With this technique, the villagers can obtain clean water. Before, the villagers had to walk for around 2 km down the hill to get the clean water**



**Picture 5) clean water now is provided to serve 191 houses in Banjar Semanik Belok Sidan**

- 2) **Water Access Sanitation and Hygiene (WASH):** One of the habits that affect health and the environment is the practice of open defecation. Even though majority of the villagers in Plaga have toilets in their homes, many of them still perform open defecation. To overcome this problem, the company collaborated with Janma, an NGO, to introduce and promote *Water Access, Sanitation and Hygiene (WASH)* to the local communities. Together with the local communities, the company undertakes the Total Sanitation Based on Community (STBM) which is based on five main pillars: washing hands with soap, managing drinking water and food and managing waste.

Initial effort involved the banjar and the general public This was followed by the formation of agents. Agents are representatives of two banjar. They then went through the Training of Trainers (TOT) which was facilitated by the *Water Sanitation Program (WSP)* of the World Bank. Throughout this program, they were taught to train the communities on the water sanitation.

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**Picture 6) The training of agents to promote sanitation and hygiene**

- 3) The company built School for Conservation Training. This program aims to empower local communities in forest and water conservation. The conservation training was at Pelaga dan Belok Sidan Village. During the program, farmers were taught on the importance of land and water conservation, hydrology, and the right technique of tree planting. It is hoped that with the right knowledge, farmers would support conservation programs in Ayung River.

### **ANALYSIS AND DISCUSSION**

In order to succeed, the company embraced local resources and local wisdom which are important to Balinese communities. For example in the WASH programs, they used customary rules (*pararem*) which has existed since a long time ago to promote hygiene and sanitation. Local wisdom such as *gotong royong* (mutual help derived from *Tri Hita Karana*) was adopted when they built toilets and weels, plant trees and during other activities

The rituals such as prayer and offerings also performed before and during the programs. This is part of the manifestation of *Tri Hita Karana* lessons. They believe that, by performing prayers, their efforts will be made easier and blessed. This show that the local wisdom of the communities plays an important role in the success of CSR programs in Badung, Bali. The Balinese local wisdom which is *Tri Hita Karana* is inherent in the CSR programs carried out at *Ayung Lestari*. They believe that river should be kept clean, because it is the holy place, and also it give benefit

to human being. Water is the source of living. That is why water should be kept clean and holy.

The local wisdom are key to facilitate the local community. Without local wisdom, the community engagement is hard to realize. Local wisdom provide a social capital to build mutual trust, to network and to support the local empowerment. Local wisdoms are also essential for the community to solve their problems. From *Tri Hita Karana* lessons, they were taught that the relationship between human to human should be kept well. With doing mutual help (*gotong royong*), people gives reciprocal energy to each other, building trust and network. In Balinese society, the activity of *gotong royong* could be found in everywhere, especially in their Banjar. If someone need a help, so the neighbours and relatives were coming for help to his/ her family. Even they were so busy with their work, they tried to sacrifice their time and energy to help others

Local wisdom is an important value in supporting investigation, developing policies and effective use in the enviromental decision making process Through the CSR programs, the local community are motivated to engage in their own society and actively participate as members. This is evidenced through sharing of ideas, solving problems together and using the values in local wisdoms.

The CSR programs were planned collaborately with the local community. Participation becomes an important part in achieving goals. The process involved are 1) identification of the problem. Society together with the planners and the authorities access issues in group discussions, brainstorming, identify opportunities, potentials and constraints 2) The community are involved in planning process and strategies that are based on the results 3) the implementation of development projects 4) evaluation 5) mitigation people involved in measuring and reduce the negative impacts of development 6) monitoring CSR programs that were conducted by Aqua Danone also strengthened local knowledge.

For instance, performs prayers (*ngeruak*) before and during CSR is the manifestation of the activity is done, they tried to maintain the local wisdom *Tri Hita Karana* that keeping the good relationship with God. The program such as the building the weels and planting trees, they tried to embody the local wisdom "*gotong royong*" (mutual help ) as a manifestation of THK which is also emphasizes in human relations and in every CSR programs that was carried out, the local wisdom such as "*sangkepan*" (regular

meeting) and followed by “*pararem*” (consensus), functioned as social capital that build the capacity of community to reach the goals.

## CONCLUSION

From the research found that CSR is deeply rooted in the the commitment of the organization. The commitment is the way to conduct the business that does not only concerns on the economic performance but also the social issues. This is evidenced in “Aqua Lestari” which has been carried out since 2006 as a sustainable initiative using DANONE WAY and ISO 26000 as a Sustainability Report reference.

CSR initiatives are carried out in many programs including the *Water and Forest Conservation System*, that is derived from the local wisdom *Tri Hita Karana* which means to achieve happiness, man should keep a good relationship with God-Human-Environment. These three aspects should be in balance and harmony. The first lessons in *Tri Hita Karana*, indicates that, in order to achieve happiness, human being should keep good relationship with God.

This can be manifested by performing prayers before and during the CSR initiatives. They believe that, God will provide ease and assistance and bless their efforts. The second lessons in THK is that, in order to achieve happiness, man should have a good relationships with the others. This can be manifested through participation in *gotong royong (mutual help)* and *sangkepan (regular meeting)* before and during CSR activities. In *sangkepan* traditions, villagers will contribute their ideas and after the meeting is over, decision will be made by consensus.

*Gotong royong (mutual help)* takes place when villagers build sanitation, water pipe, weels and plant trees. They are concerned with the environment, which is also also the aspect of THK Lessons. The local wisdom is important to engage the local communities. Without local wisdom, the community engagement is difficult to achieve. Local wisdom provide a social capital to build mutual trust, to network and to support local empowerment. Local wisdoms is also essential for the communities to solve their problems.

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