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DISCLOSURE LEVEL OF SUSTAINABILITY REPORT: STUDY OF INDONESIAN STOCK EXCHANGE LISTED COMPANIES

[1]M. FIKRI FARRASWAN, [2]MELISA ZULKARNAIN, [3]M. NUR FAJRI

[1]Andalas University, [2]Andalas University, [3]Andalas University, Indonesia
E-mail: [1]farraswan.fikri@gmail.com, [2]melisazulkarnain@gmail.com, [3]mnurfajri34@gmail.com

Abstract- The objective of the research is to examine the disclosure level of sustainability report in Indonesia Stock Exchange listed companies. This study reveals the disclosure level of every industry sector and present the disclosure level for the whole companies in Indonesia Stock Exchange either. This is a descriptive quantitative research but we also sustain the results by giving qualitative finding during this research. Data collected from each companies official website as we assume that companies who have made their sustainability report would upload it to their official website so that the stakeholder can access their report and judge their sustainability performance. The results show that the disclosure level of sustainability report for the whole companies is less than ten percent. One of it is caused by inexistence of strict regulation that require companies to comply on sustainability practice disclosure.

Index Terms- Sustainability Report, Corporate responsibility, Transparency, social, environment

I. INTRODUCTION

The main objective of the company is to generate profit and business growth. But along with the development of the times, the company is required to pay attention to two important aspects in addition to the advantages which are summarized in the concept of the Triple Bottom Line (TBL). TBL align with the company's profitability and environmental aspects of society (profit, people, planet). Companies are required to be more sensitive to the impact of their operations on society and environment .
Along with increased awareness and sensitivity of the company's stakeholders, the concept of social responsibility emerged and become an integral part of the company's survival in the future (Prasida, 2012).

Figure 1. Triple Bottom Line

Social and environmental reporting practices by the company experienced an increase in current business environment (Swinkels, 2012). Although relatively new, sustainability reporting today is one of the focal points of research in the field of corporate social responsibility.
Studies on sustainability disclosure are developed to identify the profile of information, determinant factors for disclosure and to correlate levels of reporting performance with organizational performance (economic, social, and environmental) (Rosa, 2013). It is very important to evaluate company's awareness toward sustainability because we are in the process of global changes with respect to concerns about sustainability and its effects on organizational management, society, and the environment.

Basically, sustainability report is a communication tools and engagement between companies and stakeholders (Tang and Chan, 2014). Sustainability report not only contains of financial performance information but also non-financial activities information consists of social and environment information that allows companies to grow sustainably (Tarigan, 2013).
For the purpose of uniformity and comparability, companies sustainability reports require a nationally accepted sustainability reporting guidelines. Sustainability report in Indonesia has been practiced since the 2000s and the GRI guidelines have been used as a reference for the company report (Prastiwi, 2010). The Global Reporting Initiative (GRI) was initiated as a project group for the Coalition for Environmentally Responsible Economies, CERES (Boston) in 1997 with the stated objective of developing a reporting increase organizational accountability (CPA Australia).

To encourage and increase the practice of companies sustainability reporting, Indonesia formed a national body that called NCSR (National Center for Sustainability Reporting). Currently, the implementation of sustainability reporting in Indonesia is still voluntary. To motivate the sustainability reporting, NCSR have been conducting Indonesian Sustainability Report Award (ISRA), an

annual award given to companies or organizations that have made and publish sustainability reports and optimize the use of their website to reveal their sustainability activities (ISRA official website).
No previous research could be found, which investigated the sustainability reporting disclosure within Indonesian Stock Exchange listed companies and disclosure level accros each industry sector. We also thinks that it is really necessary to see how far sustainability report is applied in Indonesian companies. Thus, the research question was how far is the sustainability disclosure have been concerned and applied by companies listed in Indonesian Stock Exchange. We also encourage this research by referring to latest research conducted in sustainability reporting area.

II. LITERATURE REVIEW

Sustainability Report Disclosure Practice

Sustainability reporting and corporate social responsibility activity have grown rapidly in the private sector (ACCA, 2010). Sustainability reporting is clearly a growing trend across the globe. As such, we believe that companies should ensure that they are clearly recognizing and communicating the risks and opportunities associated with sustainability-related issues in a way that mitigates risk to shareholders (Lewis & Co, 2014).
There are various motivation and reason of the companies to disclose their sustainability activities through a sustainability report. Sustainability reporting is a critical first step for the company not just for transparency but also for their own good. Understanding the sustainability can help a company to understand the impact on their stakeholders, and ways in which it might mitigate a negative impact on the economy, society and the environment (EY, 2013).
The motivation for companies to produce sustainability reports as well as the quality and extent of reporting has been examined in the literature using several theoretical perspectives. Two widely adopted perspectives are legitimacy and accountability (Comyns, 2013).
The purpose of work business and environmental sustainability is defined as stakeholder behavior influencing on the natural environment that meets the needs of the present without compromising the ability of future stakeholders to attain their own needs (Aryanto, 2014). Sustainability understanding expected to be comprehended not only by the company but also the stakeholders because sustainability implementation needs to be supported by every parties involved in the business.

Most of the sustainability issues were disclosed under the CSR captions in both the annual reports and websites of the banks. Since there is a lack of standalone sustainability reporting, the director's report and statement of the chairperson are the major avenues for disclosing sustainability information (Sobhani, 2011).
There is a lot of benefit companies can gain from disclosing their sustainability activities. It is nowadays commonly believed that socially responsible firms, i.e., those that contribute both economically and ethically to the society and local communities they serve, are better positioned to grow in terms of reputation and revenues (Drobetz, 2014).
Sustainability report contains the vision statement that summarize the company's definition of sustainability; what the company benefits from sustainability initiatives and the justification of the investment and upfront costs for planning and implementation; as well as notable achievements accomplished and barriers encountered in the previous year (Maubane, 2014).
Disclosure can be utilized as a tool for the development of investor relations rather than for providing assurances about sustainability (Artie, 2012). By publishing publicly-available sustainability reports, companies do not need to spend too much time responding to individual requests from stakeholders (i.e. institutional investors or NGOs) on nonfinancial information (Siew, 2015). Stakeholders can also look at the performance of an enterprise from social performance conducted by company. With the disclosure of CSR, shareholders learned that the company's employees are trained and educated through a training program that has been designed by the company (Angelia, 2015). The reporting itself not just benefit for transparency but also for the company itself. Sustainability-driven firms pursuing moral legitimation disclose their actual outcomes and impacts. These disclosures might relate, for example, to reduced carbon footprints, more recycling, less waste, improved safety performance and so on (Hrasky. 2012).

Needs of an universal framework

The Global reporting Initiative (GRI) has become one of the most recognized standard for sustainability reporting and is a widely accepted framework for reporting on economic, environmental and social performance (Koç, 2015). The increase in awareness of sustainability matters has been reflected in the creation of non-governmental organizations. The Global Reporting Initiative (GRI) is the most widespread sustainability disclosure framework and reporting to provide the share- holders with sustainability reports (Nobanee, 2015).
Since its formation, the GRI has released several iterations of its reporting guidelines, with the newest version, the G4 Guidelines. In recent years, reporting in accordance with the GRI guidelines has gained significant popularity. According to the GRI, from 2006 to 2010, the number of companies using the guidelines increased year-over-year from 22-58% (GRI, 2011).
Sustainability report summarizes the company's sustainability activities associated with the element of

profit, social, and environmental based on the concept of the Triple Bottom Line. Disclosure of sustainability report is defined as the data disclosed by companies associated with activities that include the following these indicators : economic performance (EC), environmental performance (EN), Human rights (HR), Practice of Employment Decent Work (LA) social performance (SO) and Product Responsibility performance (PR) (Nugroho, 2014). More transparent companies are those who can disclose more of the required items.

The GRI has identified 180 initiatives from 45 different countries and regions relating to sustainability reporting, and the Climate Disclosure Standards Board (CDSB) has to date identified 383 provisions that directly or indirectly affect the way in which companies prepare sustainability disclosures (CDSB, 2012).

Growth of Mandatory Regulation

A requirement for a mandatory disclosure seems to be a burden for companies. It obligates the companies to disclose their sustainability activities in detail. Even there are some elements of disclosure requiring companies to disclose working accident, areas of lands polluted or social conduct violation. The growing number and complexity of disclosure requirements could lead to a demotivation for companies.

Even though Indonesia has NCSR but there is no strong regulation that can "insist" companies to consistently disclose their sustainability report. The growth of mandatory reporting can be been seen in a number of ways. Firms in countries with constraining regulations regarding environmental disclosure can therefore be expected to comply more closely with environmental requirements of IFRSs than firms domiciled in countries with less constraining regulations (Barbu, 2014).

There is also a growing trend toward extending this to listed public companies, through the introduction of legislation to encourage non-financial reporting. Stock exchanges have an increasingly important role to play in this transition, as investor interest in material non-financial disclosures grows.

In Denmark, Finland, Japan, Korea, France, Pakistan, US, UK, Malaysia and Canada, among other countries, have some form of mandatory environmental reporting in place. In some areas this has been extended to a more comprehensive sustainability reporting requirement (SCEI, 2013). The companies around the world including Malaysia have been pressured to be more transparent in disclosing their impact to the social, environment and economy (Amran, 2012).

Social and environmental performance reporting is mainly carried out by large companies (almost 70% of them state that use this kind of practice), and most adopted the sustainability report (37%). The largest numbers of companies reporting sustainable and environmental performance are from the manufacturing and construction sector (Ramos, 2013). This can be an indication that company size and business life cycle is becoming influencing factors for companies in disclosing sustainability report.

In India, the Companies Act (2012) introduces new rules on boards, auditing and fraud specifically to address transparency issues, and mandates companies in India to spend 2% of net profit on corporate social responsibility (CSR) activities (Companies Bill, 2012) South Africa was the first country to require an integrated report from listed companies, when the Johannesburg Stock Exchange (JSE) introduced a "report or explain" approach, using guidelines based on the King Report III.25 More than 90% of listed companies have provided a sustainability report following the introduction of this approach (IDSA, 2009) Other countries have followed suit, and the São Paulo, Kuala Lumpur and Copenhagen exchanges now all require companies to report on Environmental and Social Governance issues or explain why not (EY, 2012) In the UK, the government introduced new requirements for listed companies (on the London Stock Exchange) on disclosing greenhouse gases, and changes to the UK Company Act 2006 will require the disclosure of information regarding human rights, diversity and greenhouse gas emissions.

III. RESEARCH DESIGN

This study seeks to explore how far sustainability report has been applied in Indonesia. This is a descriptive quantitative research but we also sustain the results by giving qualitative finding during this research. The subjects are all companies listed in Indonesian Stock exchange, we acquire the list of the companies from official website of IDX by the end of 2015. Companies listed in IDX categorized to 9 industry sectors, which are mining, basic industry and chemical, infrastructure, utilities and transportation, property, real estate and building construction, agriculture, consumer goods industry, finance, trade, service and investment, and miscellaneous Industry.

To get a proper certainty about the disclosure level of Sustainability report, we visited each company's official website to see whether they have uploaded their SR to their website. Another assumption to add is that company which has developed their sustainability report automatically uploaded it to their official website so that everyone can access and judge their report and sustainability activities they have conduct. We then compile the findings and give a clear conclusion about the disclosure level of SR for every industry sector and for the whole companies listed.

IV. FINDINGS / RESULTS

In this section we present empirical result obtained from research to every companies listed in Indonesian Stock Exchange. This study found some interesting facts and pattern regarding the disclosure level of sustainability report.

Table 1. Level of sustainability report disclosure of Indonesian Stock Exchange listed Companies

No	Industry Sector	Company Disclose SR	Number of Companies in Sector	(%)
1	Mining	8	40	20
2	Basic Industry and Chemical	4	62	6
3	Infrastructure, Utilities and Transportation	5	52	10
4	Property, real Estate and Building of Construction	5	54	9
5	Agriculture	3	22	14
6	Consumer Goods Industry	0	38	0
7	Finance	13	112	12
8	Trade, Service and Investment	1	111	1
9	Miscellaneous Industry	1	41	2
TOTAL		40	532	7.5

Another thing to consider is that we checklisted companies who have ever disclosed their sustainability report even just for one year. Below are the data of companies who have disclosed their sustainability report and those who have not

From the table above, we can see that the disclosure level of every companies sector vary from zero to twenty percent. Mining sector has the highest score of disclosure level. This finding is not surpising because companies who operate in mining sector are those who contact with nature most. Since that environment is one of the elements of sustainability, they have to ensure environment sustainability. This score is still not satisfying because from 40 listed mining companies, there are still 8 companies who have disclosed their sustainability and just one of them who have dislosed in consistently. One thing to add is that there is a mining company who had operated from 1975 but still does not disclose their sustainability report until now.

Financial sector seems to have more awareness of sustainability practice disclosure than basic industry, property or even infrastructure sector. They tend to comply more to sustainability disclosure in order to show their awareness of sustainability development. It is also triggered by tight competition among companies in financial sector. The companies need to have good image to their stakeholder to guarantee their going concern.

Agricultural industry consists of 22 companies. There are only three companies that have disclosed their sustainability report or only 14% of the total agricultural companies. This level is low since that Indonesia is one of the largest agricultural country in the world, in which the Indonesian people still depend on agriculture industries in meeting their basic needs.

Basic Industry, Infrastructure, and Property sectorhas less than 10% disclosure level of sustainability report. These kind of industry should have a higher level of disclosure as it relates directly to the environment, which is one of critical aspect in sustainability concept.

Consumer goods industry provides surprising results, where there is no single company that reveals a sustainability report. This industry relates directly to the consumer of the product. this industry supposed to have initiative in revealing their sustainability activity, especially the disclosure regarding the quality of products or product responsibility.

The Lowest disclosure level is in trade, service, and investment sector as well as miscellaneous industry that is only one and two percent.

The figure below shows distribution of company number in every industry sector and obviously present the comparison between companies that disclose their sustainability report and those who do not. The figure gives another view, we can clearly judge and compare which company sector that comply more to sustainability reporting. If we add the criteria of consistency in reporting then the score will be lower. Because we found out that since 2005 there is just one company that have consistently report their sustainability report

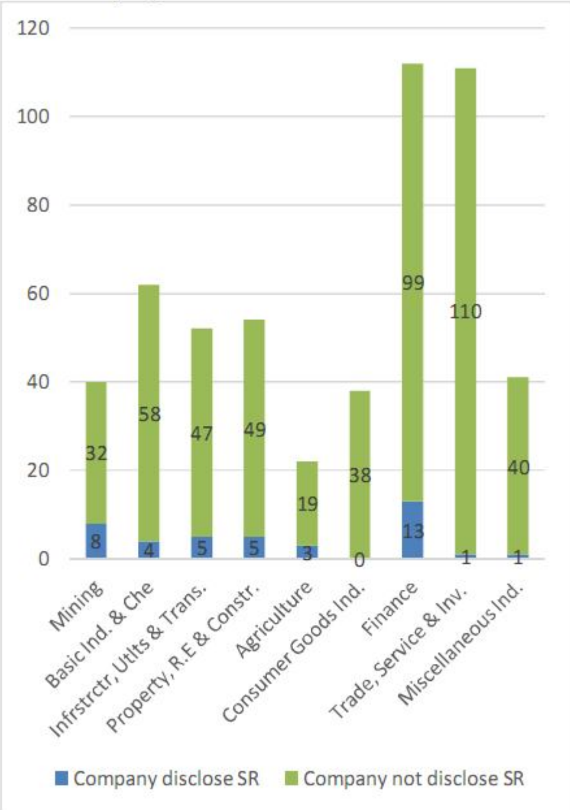

Fig 1. Distribution of Companies Disclosing Sustainability Report of Listed Companies in Indonesian Stock Exchange

Even though ISRA has been conducted for the 11th time in 2015 but stil cannot give a significant impact to more companies to disclose their sustainability report. Cost and benefit analysis is one of consideration for the companies to disclose sustainability report. That's why there is also a tendency that larger sustainability report

CONCLUSION

This study reveals that for the whole companies listed in Indonesian stock exchange we can conclude that the disclosure level is still low. It has been more than a decade since sustainability report first applied in Indonesia, but there seems to be no significant increase in the disclosure level. It is may be triggered by inexistence of Related regulation. That is why a regulatory framework needs to be built soon to make all companies comply to sustainability practices and disclosure.

Every parties involved in business will be required to support companies conducting sustainability practice and its disclosure.

Further research will be more worthy to identify about sustainability report disclosure level. Another topic that will be interesting to be raised is seeking the effects of sustainability report towards company's financial performance, whether in particular industry sector or for the whole company. Further research can conclude that whether companies with more compliance to sustainability have better performance in their financial aspects. The results may become a financial motivation for companies

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