



# Sustainability Reporting in Indonesia: A Content Analysis of Disclosure

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**Abstract.** This study aims to evaluate Indonesia's sustainability reporting's level of disclosure for the year of 2019–2020. To assess the level of disclosure of Indonesian listed companies, content analysis was utilized in the study and to examine the substance of the Sustainability activities, the study used the POJK 15/2017 framework. The population of the study is comprised of all publicly traded companies listed on the Indonesia Stock Exchange in 2019–2020. Financial institutions were not included in this study because of the clear disparities in assessment and operational business compared to non-financial firms. Overall research findings indicate that not much has been accomplished by business organizations to support Sustainability performance. This demonstrates that Indonesian businesses have not exhibited much interest in disclosing Sustainability Performance. This study has substantial implications for Indonesia's future sustainability performance which necessitates full accountability on the part of Indonesian corporate institutions, as well as a serious dedication to achieving the performance of the Sustainable Development Goals.

**Keywords:** Sustainability, Content Analysis, Disclosure, Indonesia

## 1. Introduction

Recent calls for business firms to offer more complete reporting have come from supporters from a range of interest groups, including social groups, authorities, international organizations, non-governmental groups (NGO), and environmentalists [2]. Corporate entities must report sustainability performance if they want to generate value for their stakeholders in the twenty-first century [1]. Businesses must choose significant Sustainability targets and include them in their business strategy and plan [2]. The topic of corporate Sustainability Report requires close attention in emerging economies, particularly in Indonesia where the idea of sustainable development has gained importance. We are therefore driven to offer a thorough analysis of how corporate organizations have prepared Sustainability Reporting, concentrating on the listed companies on the Indonesian Stock Exchange for the two (2) years (2019-2020).

Indonesia has issued Regulation OJK 51/2017 that mandates public businesses to create the Sustainability Report (SR) by January 2020. In other words, Indonesia now mandates the submission of annual reports and Sustainability Reports.

Prior to this regulation, there was an upward trend in the number of companies that voluntarily filed sustainability reports at the end of 2016. The figure is seen as being relatively small compared to Indonesia's total population of publicly listed companies, and more specifically, to the total number of all public companies in Indonesia. As a result of the enactment of POJK 51/2017, more sustainability reports are developed independently of the annual report. A survey by FIHRRST (2021) revealed that there were more sustainability reports in 2020 than in 2019. This represents an increase of 81% from year to year, having 121 sustainability reports in 2020 compared to 67 in 2019. The proportion is still unsatisfactory even though the trend indicates a significant increase. Only 16% of the 758 Indonesian firms that were publicly traded as of the end of August 2021 had published sustainability reports. A rapid increase in the number is predicted given the compulsory framework established by OJK No 51/2017. The study is to evaluate the quality of disclosure of Indonesia Sustainability Report in the framework of POJK No 51/POJK.03/2017 during the period of 2019 – 2020.

## **2. Literature Review**

Institutional pressure is what motivates organizations to embrace social and environmental initiatives [3]. According to institutional theory, organizations frequently succumb to external pressure through three separate sources, which leads them to adopt similar behaviors and comply [6]. The first type is coercive pressure from outside parties, specifically institutions assigned with upholding laws or regulations. The second type of pressure is called mimetic pressure, and it comes from stakeholders who demand firms to mimic socially acceptable structures and practices in order to satisfy public expectations. The third is the presence of professional or normative expectations imposed by the community to establish a standardized organization and practice. This theory is very important as a basis for fulfilling the 2030 sustainable development agenda. This is consistent with the opinion of IFAC (2017) which considers that institutions are the main drivers in overcoming SDG challenges and institutions that have an effective governance structure will encourage the incorporation of SR in its annual reports.

## **3. Methodological Research**

To examine the SR of the sample firms, the study uses content analysis as a technique. All public (nonfinancial) companies registered on the Indonesia Stock Exchange in 2019–2020 represent the study's population. Purposive sampling is the method of sampling that is implemented. Non-financial companies must have a Sustainability Report that is published separately from the Annual Report for two years (2019 and 2020) in order for the sample selection procedure to be valid. The Annual Report and Sustainability Report, which are accessible on the company's website and the website of the Indonesia Stock Exchange, are the data's primary sources. The firm's compliance with the Sustainability Report was examined using the content analysis conducted in accordance with the POJK 2017 format. Due to the distinct differences in assessment

and operational business compared to nonfinancial organizations, financial institutions were excluded from this study.

#### 4. Results

For this study, a total of 40 organizations were observed. These were businesses that published SR in 2019 and 2020 and made the reports available online. At the end of 2020, there were 502 non-financial public companies listed, and of those, 462 did not have SR posted on their websites or did so with insufficient detail (only the 2019 or 2020 reports were provided, or SR was not accessible).

The score of the disclosure is assessed by reading and evaluating the company's Sustainability Report, which is based on POJK 51 of 2017's Appendix. If the business discloses all the components mentioned, it will score a total of 73 points. Sustainability Strategy and Governance (SSG) and Sustainable Performance (SP) are the two main subcategories of the assessment category. SSG has 32 question points, each worth 0 to 1, compared to SP's 41 question points, each worth 0 to 1. Table 1 presents the score's components in detail.

**Table 1.** Score of Each Component

<b>Sustainability Strategy and Governance (SSG) – 32 points</b>	<b>Points</b>	<b>Sustainability Performance (SP) – 41 points</b>	<b>Points</b>
1) Company's Strategy of Sustainability	1	1) Company's Culture of Sustainability	1
2) The Profile of Company	6	2) Company's Performance Overview of the Sustainability Aspect	1
3) Company's Management Commitment on Sustainability Policy, Implementation, and Strategy	11	3) Company's Economic Aspect	8
4) The SR's Accessibility	1	4) Company's Environmental Aspects	11
5) Company's Sustainability Governance	3	5) Company's Social Aspect	11
6) Company's Stakeholder Engagement	3	6) Responsibility of the Company for the Creation of sustainable financial products and/or services	4
7) Report Content, Topic Boundaries, and List of Material Topics as Defined by the Company	2	7) Company's Supply Chain Sustainability	1
8) Disclosure of Information	3	8) Company's Written Verification from Independent Party	1
9) Support for the Goals for Sustainable Development	2	9) Company's Feedback Sheet for Readers	2
		10) Company's Sustainability report index	1
Sub Total Points	32		41
Total Points		72	

<sup>1</sup> Source: POJK 5/2017

From the table 2 below, it is shown that the average value of the disclosure quality score has increased from 2019 to 2020, which is 48.43 to 52.53. While the average disclosure score is 50.48 of the total score is 73. From the sample companies, there are 55% of companies that have a disclosure score above the average value and the rest still have a score below the average.

**Table 2.** Score of Each Company

<u>NO</u>	<u>Company</u>	<u>2019</u>	<u>2020</u>	<u>Average</u>
1	BR	54.67	37.42	46.04
2	UI	59.00	57.00	58.00
3	AT	51.67	42.42	47.04
4	BA	51.50	68.00	59.75
5	BRM	52.67	57.67	55.17
6	VI	54.75	54.00	54.38
7	ANJ	62.50	60.50	61.50
8	ITM	61.50	69.00	65.25
9	ITP	61.17	62.50	61.83
10	IJF	51.17	64.50	57.83
11	JCI	48.42	65.50	56.96
12	KF	63.00	58.50	60.75
13	PB	58.00	67.50	62.75
14	PP	52.50	67.00	59.75
15	UT	41.00	41.75	41.38
16	WIK	45.50	46.00	45.75
17	AG	59.25	58.00	58.63
18	AI	56.25	58.50	57.38
19	BSD	50.50	40.50	45.50
20	IPI	48.50	46.50	47.50
21	JM	40.17	55.50	47.83
22	PGN	35.17	31.50	33.33
23	PPP	51.50	50.50	51.00
24	WAK	32.42	63.50	47.96
25	WOM	64.00	63.50	63.75
26	XLA	37.92	47.00	42.46
27	AN	45.67	48.00	46.83
28	AAL	50.17	53.50	51.83
29	EL	60.17	55.50	57.83
30	IE	28.67	29.50	29.08

31	LL	46.08	38.75	42.42
32	MCG	29.42	36.92	33.17
33	MSS	20.17	29.67	24.92
34	PSE	32.17	46.92	39.54
35	LSI	34.67	35.67	35.17
36	SI	50.67	58.67	54.67
37	SBI	46.17	64.00	55.08
38	SAT	35.42	59.00	47.21
39	TBP	56.00	46.25	51.13
40	WKB	57.00	64.50	60.75
<b>Average</b>		<b>48.43</b>	<b>52.53</b>	<b>50.48</b>

**Table 3.** Score of Each Component

No	2019	2020	Average
SSG 1	0.81	0.95	0.88
2	0.89	0.79	0.84
3	0.62	0.64	0.63
4	0.98	1	0.99
5	0.88	0.83	0.85
6	0.76	0.77	0.76
7	0.87	0.94	0.90
8	0.63	0.61	0.62
9	0.65	0.68	0.67
<b>Average</b>	<b>0.80</b>	<b>0.79</b>	<b>0.79</b>
SP 1	0.60	0.83	<b>0.71</b>
2	0.91	0.74	<b>0.82</b>
3	0.61	0.69	<b>0.65</b>
4	0.62	0.71	<b>0.67</b>
5	0.66	0.71	<b>0.68</b>
6	0.51	0.73	0.62
7	0.26	0.25	0.26
8	0.47	0.45	0.46
9	0.36	0.48	0.42
10	0.85	0.89	<b>0.87</b>
<b>Average</b>	<b>0.65</b>	<b>0.59</b>	<b>0.62</b>

The table 3 above shows that almost 79% of companies have disclosed the SSG component and 62% of companies have disclosed the SP component. Components of SSG that have a portion of disclosure above the average (above 79%) are SSG1, SSG2, SSG5, and SSG7.

Based on SSG Score, SSG1 shows that 88% of the companies have mentioned Sustainability Strategy in its SR. This result reveals relatively high level of disclosure. SSG2 shows that 84% of the companies have mentioned company profiles in its SR. This results although reveals high level of disclosure, but it is not satisfactorily considering that it is expected that all companies have disclosed company profile. The company profile mentioned should mentioned company mission, vision, and sustainability values, and many companies don't mention sustainability values on their SR. SSG3 show that 63% companies have mentioned Management Commitment on Sustainability Policy, Implementation & Strategy on its SR. This result reveals relatively low level of disclosure. SSG4 show that 99% companies have presented a SR in media that can be easily accessed by many parties. SSG5 shows that 85% of the companies have mentioned Sustainability Governance on its SR. This result reveals relatively high level of disclosure. SSG6 shows that 76% of the companies have mentioned Stakeholder Engagement on its SR. This result reveals relatively low level of disclosure. SSG7 shows that 90% of the companies have mentioned Report Content Determination and Topic Boundaries and List of Material Topics. SSG8 shows that 62% of the companies have mentioned Information Disclosure Balance. This result reveals relatively low level of disclosure. SSG9 shows that 67% of the companies have mentioned Contribution to the Sustainable Development Goals on its SR. This result reveals relatively low level of disclosure.

Based on SP Score, SP1 shows that 71% of the companies have mentioned Sustainability Culture in its SR. This result reveals relatively moderate level of disclosure. SP2 shows that 82% of the companies have mentioned Sustainability Aspect Performance Overview in its SR. This result reveals relatively moderate level of disclosure. SP3 shows that 65% of the companies have mentioned Economic Aspect in its SR. This result reveals relatively moderate level of disclosure. SP4 shows that 67% of the companies have mentioned Environmental Aspect in its SR. This result reveals relatively moderate level of disclosure. SP5 shows that 68% of the companies have mentioned Social Aspect in its SR. This result reveals relatively moderate level of disclosure. SP6 shows that 62% of the companies have mentioned Responsibility for the development of Sustainable Financial Products and/or Services Aspect in its SR. This result reveals relatively low level of disclosure. SP7 shows that 26% of the companies have mentioned Supply Chain Sustainability in its SR. This result reveals relatively low level of disclosure. SP8 shows that 46% of the companies have mentioned Written Verification from an Independent Party in its SR. This result reveals relatively low level of disclosure. SP9 shows that 42% of the companies have mentioned Feedback Sheet for Readers in its SR. This result reveals relatively low level of disclosure. SP10 shows that 87% of the companies have mentioned Sustainability report index in its SR. This result reveals relatively high level of disclosure.

## 5. Conclusion

In accordance with POJK No. 51/2017, this study evaluates Indonesia's sustainability reporting's level of disclosure for the 2019–2020 reporting year. To assess the level of disclosure of Indonesian listed companies, content analysis was utilized in the study. In order to examine the substance of the SDG activities of the sample firms, the study used POJK framework in conjunction with content analysis. Overall research findings indicate that not much has been accomplished by business organizations to support Sustainability performance. This demonstrates that Indonesian businesses have not exhibited much interest in disclosing Sustainability Performance, as seen by the business reporting metrics. For Indonesia's Sustainability Performance in the future, this study has significant implications. Due to this outcome, Indonesian corporate institutions must assume full accountability and demonstrate a strong commitment to achieve Sustainability Development Goal's performance.

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