

**ANALYSIS OF SUSTAINABILITY REPORTING DISCLOSURES
OF INDONESIA SUSTAINABILITY REPORTING AWARDS
(ISRA) WINNERS**



Thesis by:

NATASHA FITRI NASUTION

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**To Fulfill One of the Requirement
To Achieve a Title
Economics Bachelor**

**NATIONAL EDUCATION MINISTRY
SRIWIJAYA UNIVERSITY
ECONOMIC FACULTY
INDERALAYA**

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2011**

NATIONAL EDUCATION MINISTRY
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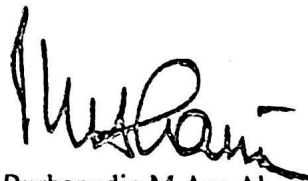
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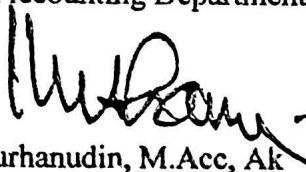


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adalah benar – benar hasil karya saya dibawah bimbingan tim pembimbing.

Isi skripsi ini tidak ada hasil karya orang lain yang saya salin keseluruhan atau sebagian tanpa menyebutkan sumber aslinya.

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Inderalaya,

Yang memberi pernyataan,



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MOTTO AND DEDICATION PAGE

**If you worry about what-Might-Be, and wonder what-Might-have-Been, you
will ignore What-Is**

All I can do and concern about is for today living but it doesn't mean I'm not irrational, I've already planned in advance. I do set my path to reach my goal and I will be preserver in my goal till the end unless I see a reason to change. The world has so much to offer, so I won't stay in my own little shell cause I don't feel fully living. The difference between fate and destiny is choice, but don't put words in my mouth cause I got plenty to say and don't tell me what to do, I do my own way.

Dedicated to:

- Allah SWT
- Our holy prophet Muhammad SAW
- My parents
- My greatest brother, Nicky
- My big family member
- Moonlight team
- Lebays family
- Arya and Kanjaa oppa
- Brotherhood and sisterhood
- Faculty of Economics, University of Sriwijaya

PREFACE

Praise the writer prayed to Allah SWT because of His permission and our holy prophet Muhammad SAW so this thesis can be completed properly. This thesis titled **Analysis of Sustainability Reporting Disclosures of Indonesia Sustainability Reporting Awards (ISRA) Winners**. This thesis divided into six chapters, consists of Chapter I Introduction, Chapter II Review of Literature, Chapter III Research Method, Chapter IV Overview of Research Data, Chapter V Research Result and Chapter VI Conclusion, Limitation and Suggestion.

Primary data that used for this research is secondary data of National Center for Sustainability Reporting (NCSR), Indonesia Sustainability Reporting Awards (ISRA) Report of Judges, and related companies that obtained through internet publication.

Research result shows that companies that won ISRA created and reported their CSR reporting and corporate sustainability, those companies use the format separately from the annual report and the GRI reporting as a guide in making sustainability reporting. Disclosure of this information is useful to form a positive image for those companies that keep paying attention to social and environmental issues. Those companies use the reporting format of the Global Reporting Initiative Sustainability Guidelines on Economic, Environmental and Social Performance. Companies belief that CSR reporting is a communication medium used to build image and to gain legitimacy.

Hopefully this thesis can give contribution for companies to concern with social and environmental issues to make a good-neighborhood with companies surrounding also make a report to what they performed. The writer also hopes that this thesis can be reference for next research with the same field, Accounting Theory.

Writer,

Natasha Fitri Nasution

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May Allah blessing to us all, Amin.

Writer,

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**ANALISIS PENGUNGKAPAN LAPORAN KEBERLANJUTAN
PADA PEMENANG PENGHARGAAN LAPORAN
KEBERLANJUTAN INDONESIA (ISRA)**

ABSTRAK

Penelitian ini bertujuan untuk menjawab dua pertanyaan utama dari masalah penelitian. Pertanyaan penelitian pertama adalah bagaimana pemenang Penghargaan Pelaporan Keberlanjutan Indonesia (ISRA) melaporkan *Corporate Social Responsibility (CSR)* perusahaannya. Dalam mengungkapkan pelaporan CSR dan keberlanjutan perusahaan, perusahaan-perusahaan menggunakan format terpisah dari laporan tahunan dan pelaporan GRI sebagai panduan dalam membuat laporan keberlanjutan. Pengungkapan informasi ini berguna untuk membentuk citra positif, perusahaan-perusahaan yang tetap memperhatikan isu-isu sosial dan lingkungan.

Pertanyaan kedua adalah apa yang disajikan oleh perusahaan-perusahaan dalam laporan keberlanjutan. Perusahaan-perusahaan menggunakan format pelaporan *Global Reporting Initiative Sustainability Reporting Guidelines* dalam aspek Ekonomi, Kinerja Lingkungan dan Sosial.

Secara Ontologi, penelitian ini dibangun pada keyakinan bahwa pelaporan CSR adalah media komunikasi yang digunakan oleh perusahaan untuk membangun citra dan untuk mendapatkan legitimasi. Penelitian ini dilakukan dalam paradigma interpretif.

Keywords: *Corporate Social Responsibility*, Laporan Keberlanjutan, *Global Reporting Initiative*

**ANALYSIS OF SUSTAINABILITY REPORTING DISCLOSURES
OF INDONESIA SUSTAINABILITY REPORTING AWARDS
(ISRA) WINNERS**

ABSTRACT

This research aimed to answer two main questions of this research problem. First research question is how the winner of Indonesia Sustainability Reporting Awards (ISRA) reported their Corporate Social Responsibility (CSR) in form of Sustainability Report. In disclosing CSR reporting and corporate sustainability, those companies use the format separately from the annual report and the GRI reporting as a guide in making sustainability reporting. Disclosure of this information is useful to form a positive image, those companies that keep paying attention to social and environmental issues.

The second question is what was presented by those companies in sustainability and report. Those companies use the reporting format of the Global Reporting Initiative Sustainability Guidelines on Economic, Environmental and Social Performance.

Ontologically, this study is build on a belief that CSR reporting is a communication medium used by a company to build image and to gain legitimacy. This research was carried out within interpretive paradigm.

Keywords: Corporate Social Responsibility, Sustainability Reporting, Global Reporting Initiative

CHAPTER I

INTRODUCTION

I.1. Background

Various social problems combined with disability of the Government to handle that had pushed big corporations, which surely comes with big money, to actively complicity resolve those problems. This is why the concept of Corporate Social and Environmental Responsibility is emerged.

At the same time, various social problems increasingly require big corporate to demonstrate a real contribution to solve social problems. This is because the greater and the extent of corporate influence day-to-day and the inability of government to solve various social problems that occur in society.

Companies make a great influence on global economic development, caused by public pressure on companies to do things that add value to the greater community. Coupled with the more channels opened of communication and information that allows people to obtain any information about the company. In the new world that is completely transparent, companies can easily supervise.

Company as a structured system of relationships, where each component which includes mutual cooperation in order to achieve certain goals. These objectives include efforts to foster good relations with stakeholders. Stakeholders are any group inside or outside the company. In conducting its relations with stakeholders, companies need a liaison between both parties.



Implementation of the company to be responsible in today's society more productive ones. It proved not just a swell of spending, but actually increase revenues, and makes the existence of a company acceptable to the community.

Based on explanation above, the concept of Corporate Social and Environmental Responsibility, seen as one of the corporate or companies new strategy to connect with the public. Information regarding the disclosure of Corporate Social and Environmental Responsibility (CSER) is the claim that the company not only operates for the benefit of the shareholders, but also for the benefit of the stakeholders in business practices, namely the workers, local communities, governments, NGOs, consumers and the environment.

In accordance with Financial Accounting Standards, accounting serves to provide information for decision making and accountability. During this time, the financial statements only focused on the interests of investors and creditors as the main users of financial statements. This was stated from the Financial Standards Accounting Concepts (SFAC) 1. If noted, user information is not only the parties. Many other also require financial information, which should get equal attention.

The company's success not only derived from the human factor in organizations, but also communities that are in operation around the area of the organization. Global Compact Initiative (2002) calls this understanding with the 3P (profit, people, planet), that business goals are not only looking for profit, but also the welfare of people, and ensure the sustainability of this planet's life (Nugroho, 2007).

The development of the concept of community relations shows an effort to interact between local communities and organizations. Community relations need to be implemented because it is an important factor in maintaining corporate image and will be many who will see the reputation of his company. Communication process realized through the Corporate Social Responsibility, which is a manifestation in order to maintain good relations with the community.

In Indonesia, the concept and practice of developing Corporate Social Responsibility on the encouragement of business groups who believe that community support is an absolute prerequisite for its survival. Recently, Corporate Social Responsibility also regarded as a necessity and part of corporate strategy to increase competitiveness.

Corporate social responsibility involves, among others, responsibility and accountability of a company to its employees, the environment, society at large and local communities around its operations. Corporate Social Responsibility interpreted as a social responsibility needed to create balance, sustainability and partnership relations of mutual reciprocity between corporations and stakeholders in improving the quality of life. Improving the quality here is the company's ability to respond to social conditions that exist and can enjoy and also take advantage of the environment including changes in existing as well as maintain it. Company's role here is to organize an effort to produce a positive impact on the community.

As a representative of the organization or the company to keep in touch with the community, CSR as a form of concern for the environment surrounding the company should be performing well so that the neighborhood policy can always be maintained and fostered. The successful of CSR is, which contain the mass public participation and applied sustainable.

How far has companies conducted the principles of “3P” this can be seen in their sustainability report. Sustainability Report contains three company performance indicators which are economy, environment and social. Sustainability Reporting has been developed since 1992.

There are number of variables and cross science which is involved in the issue of CSR. The dynamic change of social conditions cannot become a simple mathematical equation. One of them is how to measure CSR.

Since last decade, in the business world were introduced an effective means to measure and to communicate CSR performance, which is called sustainability reporting. This method can change qualitative information to quantitative information so it can be divined in a statistic equation. This means, the total number which can be retrieved from this content analysis process can describe many disclosures which has been informed in this report. Which needs to be underlined is the CSR information which is being disclosed is not guaranteed information which describes all CSR activities which has been conducted. There might be a gap.

It is possible that CSR information which has been disclosed is only a fraction of all the CSR activities conducted. On the contrary, there is a possibility

that information which has been disclosed is more than actually activity. Considering also the different character of the report. As an example, annual reports are often used to become the basis for CSR performance. In a annual report you can see that the disclosure of CSR is very limited compared to other reports, for example a sustainability report. But because these types of reports are very limited, for research purposes, annual reports are still a most liked.

Many of the responsible companies, therefore, have demonstrated their accountability through embedding sustainability and corporate social and environmental responsibility management as a core corporate value. Stakeholder engagement for them is crucial for maintaining a sustainable business, and all of the CSR performance needs to be communicated to the stakeholders.

Reporting on sustainability performance is an important way for organizations to manage their impact on sustainable development. The challenges of sustainable development are many, and it is widely accepted that organizations have not only a responsibility but also a great ability to exert positive change on the state of the world's economy, and environmental and social conditions.

Reporting leads to improved sustainable development outcomes because it allows organizations to measure, track, and improve their performance on specific issues. Organizations are much more likely to effectively manage an issue that they can measure. By taking a proactive role to collect, analyze, and report those steps taken by the organization to reduce potential business risk, companies can remain in control of the message they want delivered to its shareholders. Public pressure has proven to be a successful method for promoting

Transparency (behavior) and disclosure of greenhouse gas emissions and social responsibilities.

As well as helping organizations manage their impacts, sustainability reporting promotes transparency and accountability. This is because an organization discloses information in the public domain. In doing so, stakeholders (people affected by or interested in an organization's operations) can track an organization's performance on broad themes – such as environmental performance - or a particular issue - such as labor conditions in factories. Performance can be monitored year on year, or can be compared to other similar organizations.

If we go back to the process of content analysis, the measurement of CSR performance through the annual report needs a information guideline. The current CSR performance information guideline which is dominating is the Sustainability Reporting Guideline (SRG) issued by the Global Reporting Initiative (GRI).

"The Global Reporting Initiative is the steward of the most widely used reporting framework for performance on human rights, labor, environmental, anti-corruption, and other corporate citizenship issues. The GRI framework is the most widely used standardized sustainability reporting framework in the world." The Guidelines are the most used, credible and trusted framework largely because of the way they have been created: through a multi-stakeholder, consensus-seeking approach.

This means that representatives from a broad cross section of society – business, civil society, labor, accounting, investors, academics, governments, and

others – from all around the world come together and achieve consensus on what the Guidelines should contain. Having multiple stakeholders ensures that multiple needs and all stakeholders are considered. This contrasts to what might happen if, for example, just business representatives, or just NGO representatives created the guidelines. It is also beneficial as it helps to increase the chances that all relevant sustainability issues are included, and the accompanying best measures are developed.

With this SRG the disclosure of CSR in a company annual report can be measured through a score. The most simple way in providing a score is to give a ‘1’ on a item in the SRG for information disclosed. These type of scores are known as dichotomous (the number 1 to mark ‘yes’ and 0 for ‘no’), despite there is a more complex scoring system which is the whole CSR information which has been reported in the annual report.

After a total score has been reached, another variable is than added. A number of variables which is positively connected with a lot of CSR information in annual reports are total assets, total sales, profitability, capitalization, Return on Asset (ROA), Return on Equity (ROE), earning per share (EPS), type and age of the company. Here does the statistic exam begin to see if the CSR information in the annual report has a significant connection with those variables. Or if those variables will influence the amount of CSR information disclosed or if the company has a higher asset which will provide more CSR information.

The Global Reporting Initiative (GRI) defines sustainability reporting as the practice of measuring, disclosing, and being accountable to internal and

external stakeholders for organizational performance toward the goal of sustainable development. "Sustainability reporting" is a broad term. Other terms that can be used to describe reporting on economic, environmental and social impacts are: corporate responsibility reports, CSR reports, sustainable development reports, corporate citizenship reports, etc. These reports can be prepared based on the guidelines released by GRI.

As part of the accounting, reporting CSR is not a practice that is static and ignores aspects of social dynamics (Hines, 1988 in Chariri, 2007). Accounting is a dynamic practice that was formed on the basis of social interaction between the individual and his environment (Chariri, 2006). In the perspective of social construction, financial reporting practices not only present quantitative information, but also provides other information such as narrative text, photographs, tables and graphs.

Sustainability report contains a narrative text, photographs, tables and graphs that contain a description of corporate sustainability. Sustainability reporting can be designed by management as a rhetorical story to form the image of the wearer. Narrative text is a part that plays an important role for companies in shaping that image. narrative text includes management discussion and analysis and remarks delivered directors and commissioners (David 2002; Yuthas et al 2002 in Chariri, 2007).

Through narrative text, the company is actively trying to form a positive image and avoid a negative image (Gardner and Martinko, 1988 in Chariri, 2007). The way that companies use to send messages through sustainability

reporting is a corporate communications strategy that is used to build public confidence.

The awareness of the importance of this kind report is still low and some companies argue that it only adds to costs. While others understand this report provides benefits, they still do nothing since they are not required to do so by law or regulation.

In order to promote sustainability reporting and to recognize and appreciate the reporting organizations, since 2005, the Indonesian Institute of Management Accountants (IAMI), partnering with the National Center for Sustainability Reporting (NCSR), has organized an annual award called the Indonesia Sustainability Reporting Award (ISRA).

All of us recognize that CSR has become a hot topic. Many companies have implemented CSR in various ways based on their perception and their adopted strategy, but the stakeholders know nothing about the companies' performance with regards to environment and social issues.

Sustainability Reporting, therefore, is crucial as a tool to communicate a company's CSR performance. And by producing a sustainability report, it is expected that some key questions can be answered, for instance the issues of corporate transparency, stakeholder engagement, environmental and social impact, and corporate accountability. A sustainability report is one way to maximize corporate communication in the context of corporate sustainability performance.

All this time, the company only provided information regarding the corporate finance operating results for a user, but ignores externalities from the operations done, e.g. air pollution, water pollution, layoffs and others. Lately a lot of news once found in newspaper about the impact of company operations that do not pay attention to the environment in which they operate. This environment would threaten the life society in the future. Other news concerning with the welfare of employees or termination work. Accounting should consider things like this and play a role in addressing social and environmental issues as a form of corporate social responsibility towards stakeholders.

This script will discuss the need for social and environmental accountability reports that called sustainability reporting (SR), the forms of sustainability report based on GRI indicators, also how and why a company disclose Sustainability Report information and what is the information that disclosed in Sustainability Report. Based on the description and interest of the writer to discussing the implementation of Good Corporate Governance function especially about Corporate Social Reporting, so this script is prepared with title: **“ANALYSIS OF SUSTAINABILITY REPORTING DISCLOSURES OF INDONESIA SUSTAINABILITY REPORTING AWARDS (ISRA) WINNERS”**

I.2. Statement of Research Problem

From the background of research that have been described above, the problem statements is:

Analyzing the disclosures of sustainability reporting created and reported by the company in the views of Global Reporting Initiative (GRI/G3 Guidelines) as the guidelines listed on National Center for Sustainability Reporting (NCSR) Indonesia. Particularly, how and why a company disclosed Sustainability Report information and what is the information that disclosed in Sustainability Report.

I.3. Research Objective

The Basic researched have objectives to describe:

Descriptive analysis about the disclosures of Corporate Social Responsibility report or we called it as Sustainability Report that using Global Reporting Initiative (GRI/G3 Guidelines) listed on National Center for Sustainability Reporting (NCSR) Indonesia.

I.4. Research Benefits

This research expected to give benefits, namely:

1. For writer, improving knowledge, experience and applying theoretical knowledge gained during the lectures. This study also can provide additional insight into the brand new business ethics in accordance to implement Good Corporate Governance (GCG)

which is the new strategy is Corporate Social and Responsibility in the views of Global Reporting Initiative (GRI/G3 Guidelines) indicators that applied by the Companies for making the sustainable development report.

2. For education field, increasing the reader's knowledge, especially about Corporate Social and Environmental Responsibility that using Global Reporting Initiative as based to report it. The results of this research can also used as a reference and source of information for further research who want to do more research in accordance with the subject matter covered in this study.