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EDITORIAL

In this first edition of the *APCEA Journal* for 2009 two feature articles are presented. In December 2008 the 7th Australasian Conference in Social and Environmental Accounting Research was held at the University of South Australia, Adelaide, Australia 2008 (A-CSEAR 2008). Authors were provided with the opportunity to submit papers presented at the conference for review and publication in the *APCEA Journal*. It is planned to publish several revised versions of papers from A-CSEAR 2008 in the next few editions of the *Journal*.

This edition publishes two such papers. Both are related to corporate social responsibility reporting in developing countries. The first paper entitled *Corporate Social Responsibility Reporting: Illustrations from a Less-Developed Country* is written by Mohammad Azim, Shaila Ahmed and Md. Shahidul Islam. It addresses CSR reporting in Bangladesh. The second feature article *An Examination of Corporate Social Disclosures in the Annual Reports of Indonesian Listed Companies* is penned by Hadrian Djajadikerta, Juniati Gunawan and Malcolm Smith,. Whilst prior literature on corporate social reporting is extensive, these two studies make a useful contribution through a recent assessment of reporting in the Asian region, an area which is now of significant importance in the global response to addressing social and environmental issues.

We then follow our regular **Environment Extra!** with information about **Forthcoming Conferences**.

Instructions for contributors

Articles should be submitted in a word document, *Times New Roman*, 12 point, single spaced, two columns, attached to an email. References should be in the UniSA Harvard author-date referencing style, available from the following link:

<http://www.unisanet.unisa.edu.au/learningconnection/student/learningAdvisors/documents/harvard-referencing.pdf>

As a guide to authors articles should have no more than 6,000 words. However, the submission of short articles is particularly welcome. Feature articles are independently reviewed by members of the Editorial Board in accordance with the following requirements for classification as a C1 journal article in Australia: 'For the purposes of the HERDC, an acceptable peer review process is one that involves an assessment or review of the research publication in its entirety before publication by independent, qualified experts. Independent in this context means independent of the author.'

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CORPORATE SOCIAL RESPONSIBILITY REPORTING: ILLUSTRATIONS FROM A LESS- DEVELOPED COUNTRY

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Abstract

This study examines the extent of corporate social reporting practice in a less developed country, Bangladesh. Annual reports from all listed companies on the Dhaka stock exchange were collected and examined using content analysis. The results provide insight into the extent and nature of corporate social reporting practice in Bangladesh. The findings show that one in every seven listed companies made corporate social disclosures. Analysis reveals that documentation of information disclosed in the annual report is mostly positive and descriptive in nature; information about 'human resources' is the most voluminous; most corporate social disclosures are located in the Director's report.

Key words

Corporate social responsibility; social disclosure; content analysis; Indonesian listed companies

1. Introduction

Aid agencies such as The World Bank and the International Monetary Fund have in their *Global Monitoring Report 2005* encouraged less developed countries (LDCs) to address environmental impacts. Influenced by aid agencies, the Bangladesh Government embarked upon open market and structural adjustment policies, including capital market development. To assist, the Asian Development Bank provided \$80 million to transform the capital markets in Bangladesh

based on Anglo-American models. This process includes institutional reforms within the Securities Exchange Commission (SEC), automation of the stock exchanges, changing capital market laws and regulations and improving monitoring (Uddin & Choudhury, 2008).

As a result it is expected that listed companies will make changes in their voluntary disclosures. Previous researchers who explore the presence of corporate social disclosures are mostly based in developed countries (Adams & Whelan, 2009, Cormier, Magnan & Van Velthoven, 2005; Deegan & Blomquist, 2006, Gray, Javad, Power & Sinclair, 2001, Guthrie & Parker, 1990). Little attention is given to the practices of developing countries (Belal & Owen, 2007, Ahmad & Sulaiman, 2004, Rashid & Ibrahim, 2002). Studies from developing countries were carried out mostly in the context of newly industrialized countries such as Malaysia and Singapore. There is a lack of detailed corporate social reporting (CSR) studies in the South Asian context in countries which are considered to be "less developed" and poorer, including Bangladesh (Belal, 2001). Therefore, Bangladesh is chosen to build knowledge of CSR reporting practice in less developed countries in Asia.

In recent years there is an increasing expectation from various agencies for companies to act responsibly and be accountable for the impacts they have on the social, political and ecological environments in which they operate. There is evidence that many companies in Bangladesh have started using CSR in their annual reports (Belal, 2000). However, there is a need for an in-depth study of the quality versus quantity aspect of such reporting. A study of

Bangladesh could make a significant contribution to the CSR literature in the context of developing countries (Belal, 2001).

In the absence of legislative requirements, voluntary disclosure demonstrates a commitment to society (Mathews, 1995). Although not all benefits can be quantified in monetary terms (Evens, 2003), companies that report social responsibility and account for social and environment impacts may gain specific benefits by: attracting and retaining talented people; having better internal control and decision-making systems; and producing cost-savings and continuously improving products and services (Adams, 2002; Simms, 2002). By disclosing information on social and environmental issues, companies can: minimize the risk of powerful consumer boycotts (Adams, 2002); communicate with the community and stakeholders (Anand, 2002); and construct a competitive advantage (King, 2002).

There is growing demand from shareholders and stakeholders for corporate accountability. However, no regulatory or legislative requirements for corporate social disclosure exist in Bangladesh. In the absence of formal or informal requirements, there is increasing pressure from shareholders and stakeholders for companies to comply with international social accounting standards and codes. For example, in Canada there is the *Canadian Environmental Protection Act 1999 (CEPA 1999)*, *Canada Labor Code*; in Australia *The Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act 1999)*; in the USA *The National Environmental Policy Act (NEPA)*; and in UK the *Environmental Protection Act 1990*.

The main objectives of this paper are to identify corporate social reporting practices in Bangladesh and analyze the type and extent of such reporting in annual reports. As mentioned, there is an opportunity to invest

in Bangladesh because of its cheap labour. However, socially responsible investors have their own personal values and social concerns when making investment decisions. Investors use their value to choose companies with greater amounts of corporate social disclosure. Therefore, it is important to know the CSR practices of companies in Bangladesh as a basis for social investment.

The paper is organised as follows. The next section commences with a brief review of the literature and the significance of corporate social reporting. This is followed by discussion on the regulatory environment and disclosure rules in Bangladesh, discussion of the research methodology used, a report on the findings, and concluding remarks.

2. Background

Before discussing the literature on CSR, it is important to know what we mean by CSR.

Gray, Owen and Maunders (1987) define CSR as: "... the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large." As such, it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies have wider responsibilities than simply to make money for their shareholders (Gray, et al., 1987, p. ix).

Since the 1980s, corporate social responsibility has attracted considerable academic research (Deegan, 2002; Gray, 2002; Mathews, 1995). Research on voluntary disclosure has attempted to examine the nature and patterns of CSR and investigates the determinants of CSR such as size, profit, and industry affiliation (Cormier & Magnan, 2003). The literature recognizes

that CSR practices differ across countries (Adams, Hill & Roberts, 1998b) and between developed and developing countries (Imam, 2000). Further, the nature and patterns of CSR vary between industry sectors (Gray et al., 2001). Surveys of CSR practices in western developed countries reveal that companies place greatest emphasis on the disclosure of human resources such as employee numbers and remuneration, equal opportunities, employee share ownership, disability policies, and employee training (Gray et al., 2001). Little disclosure exists in sensitive areas such as trade union activities, pay awards, redundancy schemes, and costs (Adams & Harte, 1998a). Moreover, the vast majority of disclosures are qualitative in nature.

In the last twenty years, there has been a radical change in the relationship between business and society. Key drivers of this change can be summarized as: the increased globalization of trade, the rise in strategic importance of stakeholder relationships; and the growth of corporate image management. The relationship between companies, society, and organizations has moved from paternalistic philanthropy to a re-examination of the roles, rights, and responsibilities of business. Valor (2005) tracked the origin of CSR to Bowen's 1953 book *Social Responsibilities of Businessmen*. Today, CSR is defined in terms of the responsiveness of businesses to stakeholders' legal, ethical, social, and environmental expectations.

Corporate social disclosures have been studied for more than half a century. Two theories are commonly used to explain the context of corporate social disclosure. These are: legitimacy theory and stakeholder theory. Legitimacy theory has been used by number of researchers as a framework to analyse corporate disclosure practice (Guthrie & Parker, 1990; Deegan 2002). Deegan (2002) suggests that organisations need to be legitimate if they want to be successful. In contrast, organisations will be

penalized if they do not operate in a manner consistent with community expectations. Again, stakeholders are the centre focus of stakeholder theory. Stakeholders includes a wide range of people and interest groups who have some kind of involvement with the organisation (Roberts,1992; Price, 2004). These include stockholders, shareholders, customers, creditors, banks, suppliers, employees, governments, tax authorities and others.

In one of the earliest studies of social reporting practices, Ernst and Ernst (1978) perform a content analysis of the annual reports of *Fortune 500* companies. The areas of social responsibility identified by Ernst and Ernst (1978) are environment, equal opportunity, personnel, community involvement, and products. In the early survey work of Ernst and Ernst (1978), the dimensions of social and environmental disclosure include: theme (environment, energy, products/consumers, community, employee/human resources, fair business practices, general/other) and evidence (monetary quantification, non-monetary quantification, both monetary and non-monetary quantification, and declaration). Guthrie (1982) later modified the instrument to include the additional dimension of amount. Guthrie (1982) used proportions of pages to capture volume. In addition, Guthrie (1982) collapsed the "fair business practice" theme together with the "human resource" theme and included the additional dimension of *location in report* (chairman's review, separate section, other section, separate booklet) in his classification scheme.

Guthrie and Parker (1990) in their study of 150 companies in the US, UK and Australia find that 85% of US, 98% of UK, and 56% of Australian companies made some social disclosures in their annual reports. They also indicate that more than 40% of these companies report human resource issues, 31% report community involvement, 13% report environmental activities, and 7% report energy and product related issues. The

study also reveals the average number of pages that organizations in these countries allot for social disclosures. Companies in the US use 1.26 pages while 0.89 and 0.70 pages are used in the UK and Australia respectively.

However, it would be inappropriate to generalize the results of studies of developed nations to developing countries because the stage of economic development is likely to be an important factor affecting CSR practices. In the context of emerging economies, a few studies have focused on companies in countries such as Malaysia, Singapore, and Hong Kong. For example, a study of 100 public companies in Malaysia shows that 30% of the companies have some kind of social reporting (Jamil, Alwi and Mohamed, 2004). Of these, 64 companies report human resource issues and 22 companies disclose community involvement issues. A similar study in Hong Kong reveals that 6% of companies disclose social activities with an emphasis on staff development and community relations (Gao, Heravi and Xiao, 2005). The number of pages dedicated to such disclosures ranges from 0.25 to 3 pages. Ng (2000) found that 9% of the 200 HK listed companies report environmental information in published accounts. However, no company discloses financial data concerning environmental performance. Disclosures appeared in the directors' report or the chairman's statement. Such disclosures were general statements indicating company support for environmental protection and describing projects to reduce pollution and save energy and resources.

To summarize, while there are multiple theoretical reasons for the extent of reporting on social responsibility, empirical evidence remains inconclusive. Among Asian countries, Japan has made a significant contribution towards CSR. However, other South East Asian countries such as India, Pakistan, and China only have a small number of companies that report corporate

social practices. Nevertheless, there has been a change in the way companies report CSR practices. From initially using a section in the annual report, companies are moving to stand-alone reports (KPMG, 2008). In the last five years, institutions such as the *Global Reporting Initiative* (GRI) have developed elaborate guidelines for preparing social or sustainability reports. Many companies use these guidelines as a framework to build their social reports (Raman, 2006).

As expectations for disclosure of information on environmental and social performance have grown, so have demands that companies provide information in a standardized way that allows readers to compare company performance. A number of broadly recognized standards are particularly relevant to CSR including the *GRI Sustainability Reporting Guidelines*, *Accountability Assurance Standard 1000 & 1000S*, and the *ISO 14001 Series*. The *GRI Guidelines* focus on issues that should be reported (Maitland 2002a; 2002b); whereas *AAS 1000 & 1000S* focus on the processes of reporting and auditing. A focus on processes, and, in particular, the involvement of stakeholders through a robust process of dialogue, is likely to result in a company properly discharging accountability rather than simply complying with a list of disclosure items (Adams, 2004).

3. CSR reporting in Bangladesh

After a struggle for liberation from Pakistan, in 1971 Bangladesh was established as a parliamentary democracy. The country was ruled by the military for many years, but a democratically elected government was re-established in 1991. Bangladesh has experienced steady annual economic growth at a rate of approximately 5% over the past decade. Manufacturing of ready-made garments provides employment for over 2 million people, many of them women, and generates nearly 75% of the export earnings of the country (USAid, 2007). The cultural life of Bangladesh is characterised by the

existence of strong family values, powerful elite groups, and widespread corruption (Belal, 2001).

Although a relatively new concept in Bangladeshi corporate culture, awareness about corporate social reporting has rapidly increased. The government of Bangladesh has not imposed or proposed requirements for disclosure of social and environmental performance. No provisions regarding CSR exist in the *Companies Act 1994* (GoB, 1994). Neither is there a separate *International Accounting Standard* (IAS) regarding social and environmental reporting (IASCF, 2003). However, since October 1997 IAS 1, *Presentation of Financial Statements*, is mandatory in Bangladesh. IAS 1 encourages companies listed on the *Stock Exchange of Bangladesh* to publish additional statements to financial statements if management believes they will assist users in making economic decisions. Therefore, in Bangladesh, CSR is still voluntary. Disclosure of expenditure on energy usage is the only mandatory environmental disclosure required. *The Companies Act* of 1994 and *Securities and Exchange Rules* of 1987 require that the total amount spent on energy be shown as a separate expenditure in the notes to the financial statements (Belal, 2000).

There are previous studies in Bangladesh in the area of corporate social reporting. However, because of small sample sizes the conclusions reached in those studies might not be generally applicable to all the listed companies on the Dhaka Stock Exchange. For example: Imam (2000) has a sample of 40 listed companies out of 207 listed companies in years 1996–1997, which represents only 19.30% of all listed companies; Belal (2000) takes a sample of 30 companies (from both private and public sectors); Hossain, Islam and Andrew (2006) have samples of 107 non-financial companies for the year 2002–2003 out of 150 non-financial companies. In contrast,

this study includes all the listed companies in Bangladesh for the financial year end 2007.

Using annual reports of 40 listed companies of DSE, Imam find that “...as far as Bangladesh is concerned, social and environmental disclosures tend to represent a relatively minor quantity of disclosure when compared with corporate financial disclosures. The disclosures are mostly qualitative in nature. No quantitative disclosure is made by the listed companies in 1996 – 97 with respect to social and environmental disclosure (except human resource disclosure)...” (Imam, 2000, p. 140).

Also using annual reports, of 107 non-financial companies for the financial year 2002–2003 Hossain et al., (2006, p.10) show that “....an average 8.33% of Bangladeshi companies disclose social and environmental information in their corporate annual report....” Likewise, Belal concludes that “...it is encouraging to note that a developing country such as Bangladesh is making efforts to experiment with this new area of corporate reporting....” (Belal, 2000, p.120). Comparing the findings of Imam and Hossain it appears that there may be an increase in the reporting of CSR by listed companies in Bangladesh.

4. The research paradigm and data collection

To analyze the extent of social responsibility reporting by Bangladesh companies, annual reports are used as a primary source document. Annual reports, in general, are considered appropriate documents for studying social disclosures as they are a common and popular means of communication to stakeholders and command credibility (Guthrie & Parker, 1990; Singh & Ahuja, 1983; Adams, 2004; Gray, Kouhy & Lavers, 1995a; 1995b; Raman, 2006). Guthrie and Parker (1990), Gray, Owen and Adams (1996), Deegan and Rankin (1997) and many researchers study corporate social disclosure practices using

annual reports as a key source of information. Separate corporate social disclosure reports by public listed limited companies published between 1 July 2006 and 30 June 2007 were also reviewed. Taking 2006 as the target year, 263 companies were listed on the Dhaka Stock Exchange (DSE). The unavailability of 17 reports reduced this number to 246, representing 93.53% of listed companies.

The population was divided into two categories: (1) companies that include a statement on corporate social performance in the annual reports, and (2) companies that did not.

According to the findings, 38 companies or 15.45% of companies made disclosures relating to corporate social performance. Therefore, 208 companies or 84.55% of companies made no information available in their annual report. These 38 reporting companies were systematically analyzed using content analysis. This technique is defined 'as a method of copying the text (or content) of a piece of written work into various categories on the basis of selection criteria' (Krippendorff, 1980, p. 21) and has been used in many other studies (Guthrie & Parker, 1990; Raman, 2006). Content analysis employs a three - step process (Raman, 2006). First, an appropriate document is chosen. For this study, the Director's report, Chairman's report, and separate sustainability reports were chosen.

The second step is to determine the unit for measuring content. Different researchers use different units of measure. For example, Zeghal and Ahmed (1990) use the number of words, Hackston and Milne (1996) the number of sentences, and Gray et al., (1995b) the number of pages. Indeed there has been considerable debate about these different measures (Gray et al., 1995a; 1995b; Milne & Adler, 1999; Unerman, 2000). For example, in the case of pages, some researchers do not consider font size, line spacing, and page margins. Others argue

that words would have no meaning unless they are part of a sentence (see Raman, 2006). Raman (2006) argues that pages are a preferable measure since they can be easily counted and involve less judgment. Thus, in this study the unit of measure is number of pages.

The third step of content analysis involves identification of themes or categories into which blocks of content can be classified. The earlier works of Ernst and Ernst (1978), Guthrie and Parker (1990), and Gray et al., (1995a) are used to categorize information into four dimensions: *Theme*, *Form*, *Amount* and *Location*. *Theme* was based on categories such as environment, energy, human resources, products, community involvement, and miscellaneous. The *form* of disclosure includes quantified data, either monetary or non-monetary, and qualitative or declarative data. *Amount* measures the proportion of pages devoted to social responsibility issues. *Location* refers to a choice between management reviews, a separate social disclosures section, parts of other sections of the annual reports, or a separate booklet.

The listed companies on the DSE are classified into 15 different industry segments. The relevant annual reports from the DSE are examined to identify the type and extent of disclosures in relation to corporate social performance.

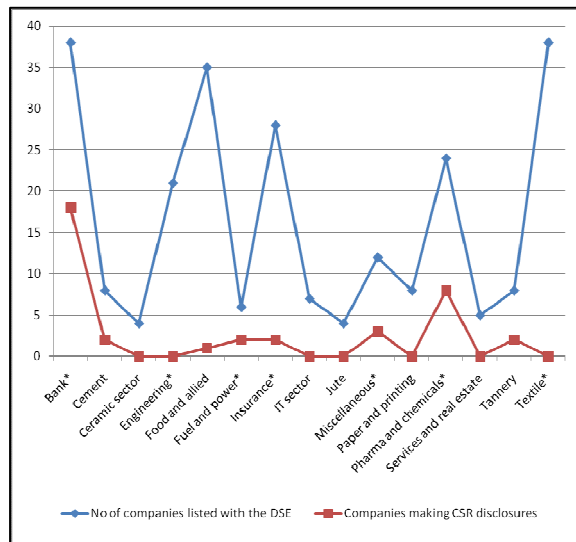
5. Findings

The findings from annual reports are shown in Figure 1 below.

Industry-wide analyses reveal that the banking sector ranked highest (37.37%) in terms of the percentage of companies making corporate social disclosures. Companies in ceramics, engineering, IT, jute, paper and printing services, real estate, and textiles made no corporate social disclosures.

For the purpose of this study, a corporate social responsibility worksheet was constructed with the headings of *Environment, Energy, Fair business practices, Human resources, Community involvement, Products* and *Miscellaneous*.

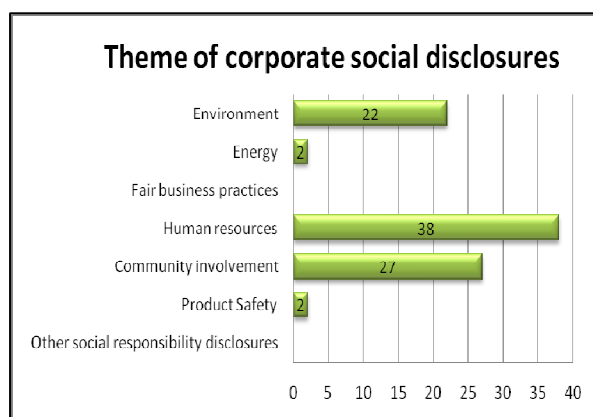
Figure 1: CSR disclosures by listed company (2006 -2007)



* Seventeen reports from the representative sectors (in sectors marked with *) were not accessible.

Figure 2 analyses the CSR themes presented in the social responsibility worksheet. In this Figure, the top two themes of corporate social responsibility disclosure in annual reports are: (i) community involvement and (ii) human resources. Environment is a distant third. Most information disclosed in annual reports relates to employees and their interests.

Figure 2: Themes of corporate social disclosures



A number of banks devoted considerable space to community involvement activities such as tree plantation, city beautification, scholarships, health care, sponsoring sports tournaments, art competitions, and concerts. Although employees feature prominently, environmental factors were included as were photographs of social activities.

Figure 3: Forms of corporate social responsibility disclosures

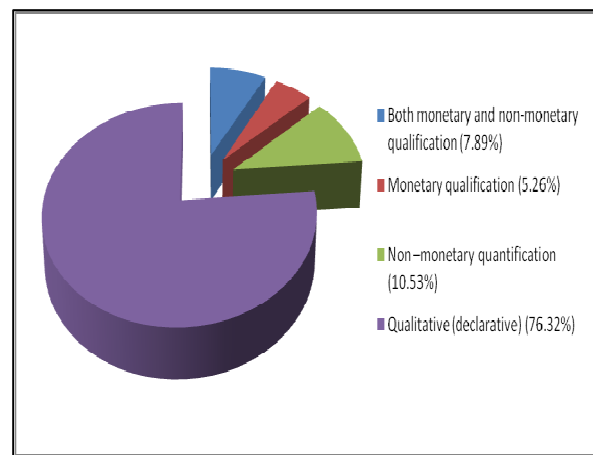
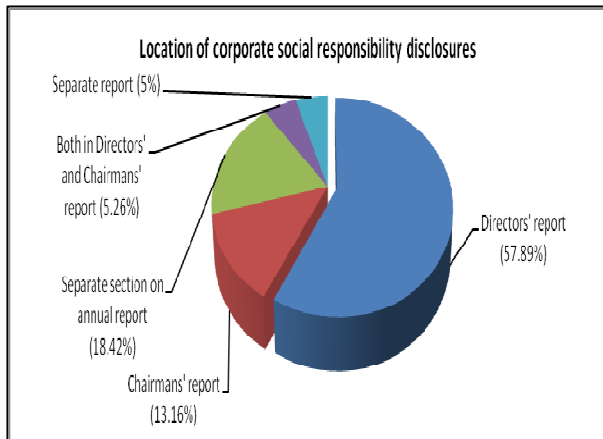


Figure 3 outlines the results of the degree of quantification. Content analysis reveals that 76.32% of disclosures are generalized qualitative statements without supporting evidence. 10.50% of companies provide non-monetary quantification. Of reports that contain monetary or non-monetary quantification, 7.89% made some disclosure, and 5.26% provide only monetary disclosures.

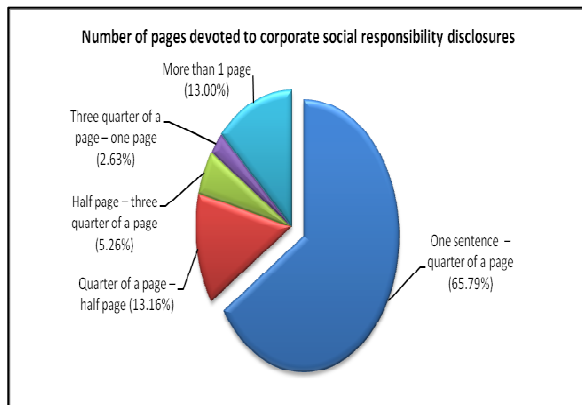
The location of disclosures is shown in Figure 4. Alternative formats include a separate report, a section of the annual report, and separate headings in various reports (e.g., Chairman's report, Director's report). As per Figure 4, the most popular place for locating social responsibility disclosures are the *Director's report* (57.89%), 18.43% used a specific section of the annual report, and 13.16% used the Chairman's Report. Only two companies (*Bank Asia* and *British American Tobacco Bangladesh Company Ltd.*) issued separate booklets.

Figure 4: Location of corporate social responsibility disclosures



In Figure 5, the mean amount of disclosure was 0.37 pages, with 65.79% of companies disclosing less than a quarter of a page, and 13.16% disclosing more than one. Given standard paper sizes, the measure of ‘pages’ attributed to a particular form of disclosure can be expected to remain reasonably constant among observers.

Figure 5: Number of pages devoted to corporate social responsibility disclosures



6. Conclusion

In conclusion, most corporate social disclosures examined for the period in Bangladesh are qualitative in nature. Three quarters of disclosures are generalized qualitative statements without any attempt at attestation; more than half of CSR is located in the Director’s report; and the mean amount of disclosures is less than half a page. Listed companies in Bangladesh

emphasize the disclosure of human resources factors, i.e., employee numbers, equal opportunities, and employee training. Industry-wide analysis reveals that companies in the banking and energy sectors rank highest in terms of disclosures. At a national level there is a high level of disclosure in both sectors. However, it is not clear why the ceramic; engineering, IT, jute, paper and printing, service, real estate, and textile industries do not disclose social and environmental information. This situation calls for further research to discover the causes of such variation.

An increasing number of companies and businesses in Bangladesh are engaged in corporate social responsibility (Sobhan, 2006). The recent escalation in CSR disclosures by corporations worldwide signals the significance of CSR for sustainable development (KPMG, 2008). An international survey of corporate sustainability reporting conducted by KPMG in 2008 found that 70 per cent of the world’s 250 largest companies issued separate reports on corporate social responsibility (CSR) in 2008 compared with 52 per cent in 2005. However, such reporting is voluntary in Bangladesh. A comparison of previous studies (e.g., Hossain et al, 2006) with this study shows an increase in disclosure in the last four years from 8.33% to 15.45%. When comparing this information we also need to understand that the number of listed companies has increased. However, the number of Bangladeshi listed companies disclosing CSR is significantly lower than Malaysian and Singapore companies but higher than those in Hong Kong.

Problems associated with reporting social and environmental activities include a lack of provisions in the *Companies Act 1994*, an absence of a separate IAS, a lack of awareness and expertise, resource constraints, and a lack of motivation. For long-term sustainability, policy-makers and standard-setters should consider: the inclusion of provisions for such reporting in

the *Companies Act* of Bangladesh; developing an accounting standard and reporting framework; and building awareness and expertise.

Further study is needed in the banking and energy sectors to find out why there is such a high level of disclosure in these areas, and what the motivation is behind such voluntary disclosures. Examination of the reasons why there is no social and environmental disclosure in the other sectors is also necessary.

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AN EXAMINATION OF CORPORATE SOCIAL DISCLOSURES IN THE ANNUAL REPORTS OF INDONESIAN LISTED COMPANIES

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Abstract

This study examines the extent of corporate social disclosures (CSD) in Indonesian listed companies' annual reports for the years 2003 to 2006. Content analysis methods were employed and descriptive analysis conducted to explore the quantity and quality of this disclosure. The findings show that 'human resources' information is the information most disclosed, while 'sustainability' is the least disclosed information in the companies' annual reports. Documentation of information disclosed in the annual reports is mostly positive and descriptive in nature, rather than negative and quantitative. The results provide insight into the extent and nature of CSD in Indonesia.

Keywords

Corporate social responsibility; corporate social disclosure; content analysis; Indonesian listed companies

1. Introduction

The issue of corporate social responsibility (CSR) has been of growing concern among both business and academic communities. Organisations are now expected to participate in the solution of social problems, such as poverty and infrastructure within a wider community (Kok, Wiele, McKenna & Brown, 2001). One definition of CSR can be stated as "the obligation of a firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and

improving welfare of society at large independent of direct gains of the company" (Kok et al., 2001, p. 287).

Whilst there has been increased public attention to CSR worldwide, most of the CSR studies conducted so far have been in the context of developed countries, such as those in Western Europe, the USA and Australia (Brown & Deegan, 1998; Deegan & Rankin, 1996; Gray, Kouhy, & Lavers, 1995; Raar, 2002; Snider, Hill, & Martin, 2003; Tilt, 1994). On the other hand, there have been relatively few empirical studies of CSR practices in developing countries (e.g. Ahmad & Sulaiman, 2004; Belal, 2001; Ramasamy & Hung, 2004; Rashid & Ibrahim, 2002; Thompson & Zakaria, 2004). Given the considerable differences in the economic and cultural environment, moral judgment and government roles that corporations play in a particular country, the extent of CSR practices will differ across countries (Adams, Hill, & Roberts, 1998).

Studies from developing countries are carried out mostly in the context of newly industrialised countries such as Malaysia and Singapore. There is a paucity of detailed CSR studies in the South Asian context, where countries are considered to be "less developed" and poorer, and which would include Indonesia (Belal, 2001). As the biggest country in the South East Asia region, Indonesia has a complex and varied social and geographical environment. Located centrally on the world's trade routes, Indonesia faces a number of factors exposing it to CSD practices. These include the issues of poverty alleviation, human rights, health and safety environmental concerns, pollution and waste, social and political insecurity, and the need for direct foreign investment (Goyal, 2006; Raynard & Forstater, 2002).

The poverty rate in Indonesia is considered the worst in Asia. It has been recorded that 17% of the total population in Indonesia, about 39 million people, live under the poverty line (Arka, 2006). The rate of poverty has been identified by Jenkins (2005) as an opportunity for higher levels of CSR disclosures in terms of likely impact on poverty reduction. In addition to poverty, Indonesia has also been rated as the world's worst for deforestation. Over 70% of Indonesia's original frontier forests have been lost (Hills, 2005). Panwar, Rinne, Hansen & Juslin (2006) mention that the forest product industry is very susceptible to increasing societal expectations regarding its use of forests throughout the world. Thus, companies are expected to show their responsibilities in maintaining the sustainable use of forests as a natural resource.

Foreign direct investment has been signalled by Goyal (2006) as having a positive impact on CSD practices for developing countries since CSR expenditure can be a tiny fraction of income. However, unlike other developing countries, Indonesia seems to be struggling to attract foreign investors since the economic crisis of 1997. Greenlees (2005) reports that investors and lenders have been slow to return to Indonesia because of the high rate of corruption. Donaldson (2005) suggests that the implementation of good CSR practice was one way to reduce corruption, as CSR deals with corporate transparency. It will be interesting, therefore, to see how CSR is practised through disclosures in a country where corruption is common.

It is also important to examine CSD in relation to culture. With a population of about 225.3 million, an area of 1.9 million square kilometres, and over 300 regional languages, Indonesia has a highly diverse culture (UNWCED, 1987). Williams (1999) finds that countries with lower scores on cultural determinants, such as masculinity and uncertainty avoidance, demonstrate more disclosures on CSR compared to those with higher scores. Based on the work of Hofstede

(1996) in scoring country culture, Indonesia obtains less than moderate levels for both "masculinity" and "uncertainty avoidance" (46 and 48 out of 100 respectively). These scores indicate that companies in Indonesia may provide comprehensive information related to CSR disclosures.

Another important aspect of Indonesian culture is religion; Indonesia has the world's largest Muslim population. According to Hofstede (1996) more than 85% of the Indonesian population follow the Islamic faith. The role of Islam in CSR as "giving to society is deep-rooted in Islamic tradition and is a cornerstone of positive CSR" is proposed by Al-Ali (2006, p. 1). This value may indicate that the majority of employees in Indonesia perceive that CSR is about donation. As a result, the information disclosed in CSD is more likely to focus on 'donation' or 'community development' information. The current study addresses this issue and discusses the findings relative to previous studies which mainly reveal disclosed information on environment, energy, customers and human resources (Deegan, Rankin and Tobin, 2002; Gray et al., 1995; Kuasirikun & Sherer, 2004; Purushothaman, Tower, Hancock & Taplin 2000).

As discussed, Indonesia has a number of unique factors that may positively or negatively influence the level of CSR disclosures. However, the practice of these disclosures is still in question. Therefore, a valuable insight into CSR practices in Indonesia will add the existing body of CSR literature. For the above reasons, this study selects Indonesian listed companies for examination of their CSR practices, by investigating the extent of their corporate social disclosures, in terms of both quantity and quality.

2. Literature review

2.1. Theoretical foundation

This study focuses on two notable theories to explain the extent of CSD: legitimacy and stakeholder theories. Legitimacy, in this study, is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definition” (Schuman, 1995, p.574 cited in Tilling, 2004). Legitimacy theory has been used by a number of researchers as a framework to analyse corporate disclosure policies (Brown & Deegan, 1998; Deegan & Gordon, 1996; Guthrie & Parker, 1990; O'Donovan, 2002; Wilmshurst & Frost, 2000). Deegan (2002b) suggests that organisations need to adapt to community expectations if they want to be successful. In contrast, organisations will be penalised if they do not operate in a manner consistent with community expectations. Guthrie and Parker (1990) apply legitimacy theory to analyse corporate disclosure policies in Australian companies during the 1970s. They conclude that the peak level of social disclosures was at the time when mining, steel and oil industries became targets for conservationists. These results, among others, indicate legitimacy theory as being a basis for CSD practices which are responsive to environmental pressures, including political, social and economic.

Stakeholders are the central focus of stakeholder theory. Stakeholders include a wide range of people and interest groups who have some kind of involvement with the organisation (Price, 2004). These are stockholders or shareholders, customers, suppliers, employees, the local community, government and others. Specifically, a stakeholder can be defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46). Stakeholder theory has become an important basis of knowledge for companies to secure their relationship with stakeholders through CSD. Snider, Hill, and Martin (2003) believe that stakeholder theory serves as an integral part of the concept of CSD. This view is also supported

by Carroll (1999) who explains that CSD relates to a society, which is represented by stakeholders. Wilson (2001) argues the importance of stakeholder theory as a concept whereby companies are able to integrate social and environmental information in their business operations and in their interactions with stakeholders.

Since there is no single motivation for making disclosures, prior studies that used either legitimacy theory or stakeholder theory are used in this study to build the themes of disclosure measurement and to analyse the extent of CSD in Indonesian listed companies.

2.2 Themes of disclosure management

This study applies eight themes of disclosure measurement. The majority of these themes are those most cited and relevant in the CSD literature, namely environment, energy, human resources, community involvement, products, sustainability, external relations, and other issues in CSR (Deegan, Rankin, & Tobin, 2002; Kuasirikun & Sherer, 2004; Purushothaman et al., 2000; Raar, 2002; Ratanajongkol, Davey & Low, 2006; Thompson & Zakaria, 2004; Wilmshurst & Frost, 2000). Each theme has either a single item or is elaborated into a few items. In total, there are 45 items used as measures to examine the extent of CSD through a content analysis process. These items have been previously tested for their appropriateness for the Indonesian situation (Gunawan, 2007). A brief discussion of each theme is provided below.

2.2.1. Environment

The ‘environment’ cannot be separated from social issues. The World Summit Conference in 2002 reached a consensus that businesses should have social and environmental responsibility to protect the planet and sustain life (Watson & Mackay, 2003). Most items in CSD relate to environmental information, which may signify its importance compared to other issues in CSD.

2.2.2. Energy

Non-renewable ‘energy’ is becoming a crucial issue due to the huge exploitation of fossil-related energy globally. Energy also relates to the importance of existing natural resources. If companies continue to exploit non-renewable energy, the environment is also likely to suffer. Therefore, information about the importance of energy conservation can be a good campaign for raising energy awareness and showing the company’s responsibility.

2.2.3. Human resources

‘Human resources’ among CSD themes identifies ‘employees’ as a key issue for businesses. Employees are categorised as primary stakeholders who need to be served and maintained to ensure good relationships within the companies. Employees are crucial as they are directly associated with business operational activities, including the practise of CSD (Ramasamy & Hung, 2004).

2.2.4. Community

A business cannot survive without ‘permission’ from its surrounding ‘communities’. Many examples exist showing how a company was forced to close its business because of community riots, violence, or litigation. In Indonesia, the pollution of *Teluk Buyat* with arsenic and mercury from the mine waste of *PT Newmon Minahasa Raya* led to its prosecution by the community and its dissolution. In this case, the communities played a major role in raising the issue and this resulted in further legal action.

2.2.5. Product

‘Products’ are essential for a company’s existence, and thus, information about products is important. Through product information, a company may deliver its image to the public so that they can evaluate the company’s performance. Product quality provides a basis for a company’s strategic advantage and any improvement in this quality may lead to enhanced company performance (Dunk, 2002).

2.2.6. Sustainability

‘Sustainability’ issues have grown enormously in recent years. Sustainability is defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations World Commission on Environment and Development, 1987, p. 8). In order for a company to maintain its reputation and stakeholders needs, it should include the sustainability information of its business operations in its CSD.

2.2.7. External relations

‘External relations’ describe stakeholder requirements, communication, benchmark, consultation, and information issues (Raar, 2002). In order to understand stakeholders’ needs, a company should maintain good communication with its external relations, such as labour unions, customers, media, or communities. Good corporate communication will reduce any misunderstanding between stakeholders’ expectation and the company’s actions, so that CSD disclosure is necessary to maintain appropriate public perceptions.

2.2.8. Other information

The ‘other information’ theme in this CSD list covers other relevant issues in social disclosures, such as corporate objectives, disclosures about consumers or suppliers, and receiving awards other than those awards related to environmental issues. It is expected that useful public information can be included in this theme.

2.3. Content and nature of CSD

The content of CSD varies across countries. Companies in Europe and Australia are more likely to disclose information about the environment, energy, customers, recycling, and pollution (Gray, Kouhy & Lavers, 1995; Tilt, 2001, and Deegan et al., 2002). Companies in Asia have focussed on information about employees and human resources in disclosing their social activities (see e.g. Kuasirikun & Sherer, 2004; Purushothaman et al., 2000; Ramasamy & Hung, 2004; Ratanajongkol et al., 2006).

While the content of CSD is generally different from country to country, the nature of this information has been similar throughout the world, in a neutral, positive, and descriptive nature rather than a negative or quantitative one. Positive disclosures include information about compliance with standards and receiving awards (Deegan & Gordon, 1996; Tilt, 2001); while negative disclosures include information about penalties as well as other 'bad news', such as boycotts, employees' strikes, and number of accidents in the workplace (Deegan, Rankin, & Tobin, 2002). Other information, such as training for employees, pollution control, product development, donation, and recycling, are considered to be neutral disclosures (Ahmad & Sulaiman, 2004).

Previous studies note that most companies tend primarily to use descriptive, narrative, or qualitative information to report their CSD. These kinds of information have taken up a large portion of CSD reporting rather than quantitative information, pictures, graphs, and charts (Guthrie & Parker, 1990; Tilt, 2001; Belal, 2001; Raar, 2002; Ahmad & Sulaiman, 2004; Kuasirikun & Sherer, 2004). In practice, quantitative and monetary information, to a certain degree, can be used to assess feasibility. Graphs and charts can be used to turn numbers into pictures and represent comparisons that allow people to understand the information easier (Burch, 1986). Thus, disclosing information in corporate social activities both descriptively and quantitatively, using graphs or charts, may provide a more comprehensive report to the readers. To accommodate this issue, the present study provides different forms of measurement for every different form of CSD disclosure, causing variations in either quantity or quality.

3. Research methods

3.1. Sample selection

In this study, company annual reports were used as secondary data for conducting the content analysis. The period of Indonesian

annual reports follows the financial year, which corresponds with the calendar year, i.e., from the 1st January to 31st December each year. Annual reports were collected at The Capital Market Reference Centre (for hard copies), and The Capital Market Electronic Document Services (for soft copies). Alternative sources were from the Jakarta Stock Exchange (JSX) website (www.jsx.co.id) or the company's own website.

This study uses annual reports of companies that were listed in the JSX for the period of 2003 to 2006. This represents the most current data available. There were about 330 companies listed on the JSX for the each of the years 2003, 2004, 2005 and 2006. The selection of these reports was initially based on the simple random sampling method. However, the aim is to gather the annual reports from the same company for four consecutive years, the sample has to be selected based on companies that provided annual reports for each year from 2003 until 2006. Companies that were de-listing during the period were not included in the sample. Finally, 117 company annual reports were collected each year a total of 468 annual reports for 4 years. Of the 117 companies, 76 were from sensitive industries and 41 from non-sensitive industries.

3.2. Content analysis

A content analysis was performed to analyse the annual reports and to determine the extent of CSD in the reports. Wolfe (1991) defined content analysis as systematic procedures for studying the content of written documents. The application of content analysis was carried out by converting the qualitative information in the annual reports into quantitative scores. The content analysis method has been widely used and considered as an appropriate method to analyse the extent of disclosures, although it has also been noted that it is prone to a 'subjectivity' problem, which is associated with the issues of reliability and validity (Guthrie & Parker, 1990; Choi,

1999; Tilt, 2001; Raar, 2002; Ahmad & Sulaiman, 2004).

In order to reduce the subjectivity in this study, three coders were involved in the content analysis process, following Krippendorff's (1980) suggestion. These three coders were the researcher as supervisor and two research assistants. A set of guidelines that govern the content analysis procedure was established to achieve reliable and systematic coding, ascertain that the process was applicable, and yield uniform results on repeated procedures. These guidelines were explored and discussed among the coders to establish an agreement for conducting the content analysis process consistently and systematically.

3.2.1. General guidelines

The coders were required to understand and carefully follow every step of the guidelines. Every coder undertook the content analysis independently, but communicated with the others if uncertainty arose. The name of the company was confirmed among coders after that company's information was examined to monitor and trace the number of samples that were evaluated.

3.2.2. Guidelines for identifying items

A set of 45 CSD items was provided, complete with all related examples and keywords. The CSD items were originally adapted from Hackston and Milne (1996), Deegan, Rankin and Tobin (2002), and Raar (2002); however, some were developed during the pilot study (Gunawan, 2007). By combining items from several sources and confirming the relevant items, the CSD items used in this study were considered to be both comprehensive and appropriate for an Indonesian context.

3.2.3. Guidelines for conducting content analysis

The guideline emphasises aspects considered vital to arranging a systematic content analysis procedure, that provides

more clarity and understanding (Krippendorff, 1980):

- Read the texts in the annual reports from the first page until the last page before the financial statements section.
- Indicate each statement disclosed and its relationship to the keywords, in the context of CSD items.
- Interpret and select the appropriate items for CSD.
- Award scores for both quantity and quality.
- Ignore all the irrelevant information that was not considered as CSD and thus, avoid awarding scores for this content.
- Draw inferences

After the scoring process was completed, the scores in each theme were calculated for both quantity and quality all these scores were then added to obtain overall total disclosure scores. These total scores inform readers about CSD practices undertaken by these Indonesian companies.

3.2.4. Guidelines for awarding scores

3.2.4.1. Quantity of disclosure

There is a range of scores from one to five to be awarded on each of CSD stated based on 'how much' information is disclosed.

- Score 'one' for disclosures in sentence. If the CSD information disclosed is only in one or two sentences, a score of 'one' should be awarded for this CSD quantity.
- Score 'two' for disclosures in paragraph. Scores of 'two' can be given for information stated in a paragraph which has at least three sentences. Up to two paragraphs of information can be disclosed to obtain a score of two.
- Score 'three' for disclosures in half of an A4 page. Disclosures stated in three paragraphs usually occupied half an A4 page, and should be awarded a score of three.
- Score 'four' for disclosures in a page of A4. Disclosures that stated in more than three paragraphs usually reach almost a

full A4 page, and should be awarded a score of four.

- Score ‘five’ for disclosures of more than one page of A4.

The highest possible score awarded for the quantity of disclosures is ‘five’, which can be given for disclosures stated for more than an A4 page. This information usually describes a certain topic in detail and various social activities that the company conducted, but still on the same issue.

The maximum score that can be achieved is 225 for total quantity. This is obtained by multiplying the maximum score for each measurement (5) by the total numbers of the CSD items (45).

3.2.4.2. Quality of disclosure

The score for quality disclosures ranges from one to seven and measures how the information is disclosed, using the following guide:

- Score ‘one’ for monetary information. Monetary information can be described as a quantitative item in currency terms. Any currency terms disclosed without other descriptions are given a score of one.
- Score ‘two’ for non-monetary information. Quantified numeric terms, other than currency, such as numerics for weight, volume, and size are awarded a score of two.
- Score ‘three’ for qualitative information. Descriptive, narrative, or qualitative information, forming the majority of a disclosure, should be awarded a score of three. This information is relatively easy to identify.
- Score ‘four’ for qualitative-monetary information. If the CSD stated is a combination of qualitative and monetary information, a score of four should be awarded.
- Score ‘five’ for qualitative and non-monetary information. Qualitative disclosures combined with non-monetary information are given a score of five.

- Score ‘six’ for monetary and non-monetary information. The information disclosed in currency and other numeric terms is awarded a score of six.

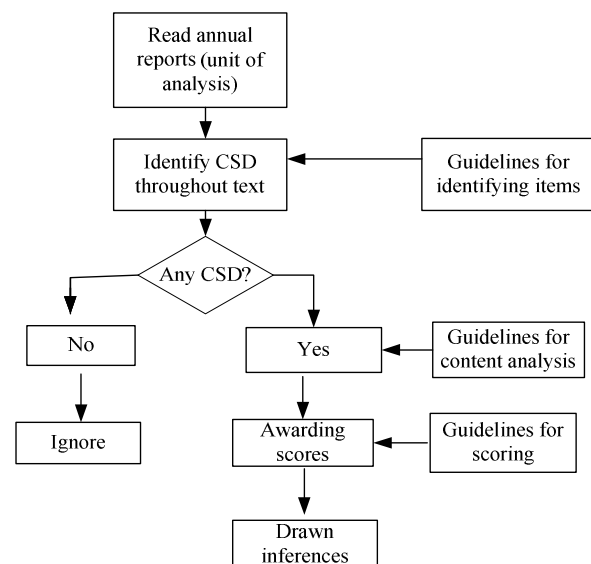
- Score ‘seven’ for qualitative, monetary, and non-monetary information. The highest possible score for qualitative measurement is ‘seven’, which should be awarded for the most comprehensive nature of CSD information that combines qualitative, monetary, and non-monetary aspects.

The maximum score that can be achieved is 315 for total quality. This number is obtained by multiplying the maximum score for each measurement (7) by the total number of CSD items (45).

The content analysis process

The content analysis process incorporating the development of guidelines for this study is shown in Figure 1.

Figure 1. Process for awarding scores in content analysis



Besides the above steps, the aspects of reliability and consistency were also of concern. These include the processes of multiplying and adjusting scores, which are important since more than one person did the coding. Therefore, additional guidelines for awarding scores were applied.

- a. One context of CSD information should only be applied to a single item of disclosure; one sentence of CSD information cannot be awarded multiple scores or added to another score.
- b. Adjustments of scores during an ongoing content analysis process were allowed. However, once any ambiguity or uncertainty in scoring has been resolved, the adjustment process should end.
- c. The recording of every score for CSD on a disclosure sheet should be confirmed for both quantity and quality in the appropriate items.

3.3. Application of the content analysis

The complete content analysis process conducted in this study is described in Figure 2. Firstly, three initial steps were applied to recruit the two research assistants; notices were posted describing the desired criteria, applicants interviewed, and a simulated content analysis conducted to confirm that the candidates could apply the knowledge gained during the content analysis process.

The next step was to give two briefings to the successful candidates. The first explored all the guidelines and every item on the disclosure list and the second provided training to the coders in conducting content analysis procedures by underlying the keywords to ease the process of interpreting the sentences, and explaining the process of transferring statements into points based on the keywords and the relative context of the sentences. This dual strategy reduced misconceptions and increased the reliability of the content analysis process.

Subsequently, the researcher supervised and monitored the coding activities through face-to-face meetings, emails, and regular telephone calls. Apart from the disclosure

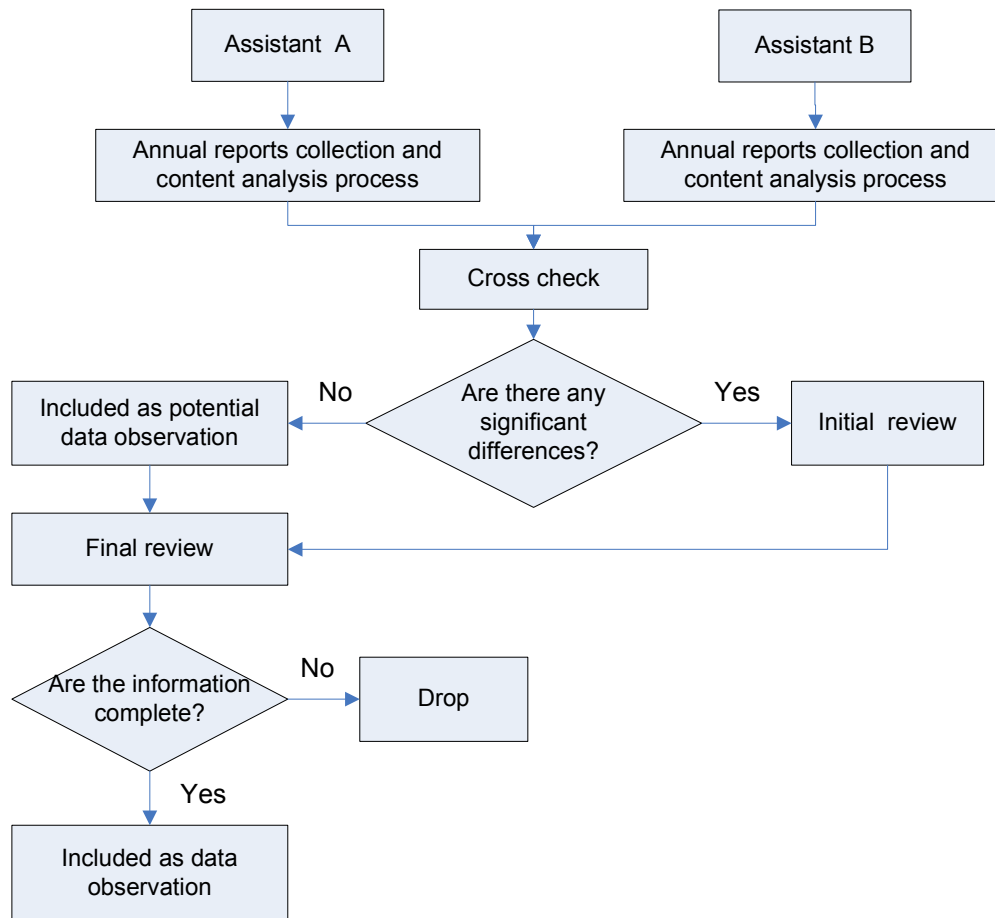
lists, all other relevant information obtained during the process were recorded.

The next step was to verify the quantitative data and scores from the content analysis. Assistant 'A' re-conducted the scoring task on data scored by assistant 'B', while assistant 'B' re-conducted work completed for another company by assistant 'A'. Both assistants worked independently, without seeing the other person's results. Any differences in the assessment of the quantitative data was re-examined and re-calculated. 'Five' and 'seven' for quantity and quality respectively, were specified as the maximum acceptable, thus any recorded score beyond this range meant that double-counting had occurred, meaning that the whole content analysis process for that company had to be re-performed by the researcher in the initial review stage.

The initial review was undertaken by the researcher together with the other two coders. The process included discussions in interpreting the differences in relative context of the CSD information and clarifying the score, as well as elaborating any uncertain issues that had been recorded. After confidently confirming the context in the sentences or as indicated by the keywords, the scores were re-assigned in the disclosure sheet.

Finally, around 20% of the content analysis results as well as the quantitative data recorded were re-evaluated randomly by the researcher. The evaluation included re-scoring the selected company annual reports following the content analysis guidelines, and re-inputting the quantitative data. If any scores resulting from this final review were different from the previous records, the judgment of the researcher was applied.

Figure 2. Annual Reports Collection and Content Analysis Process



4. Results and discussion

A descriptive analysis was performed to observe mean scores of CSD quantity and quality for the years 2003 to 2006. Table 1 demonstrates that the mean scores for both

CSD quantity and quality increased annually.

Table 1. Descriptive Statistics for CSD Quantity and Quality

	CSD Quantity				CSD Quality			
	2003	2004	2005	2006	2003	2004	2005	2006
Mean Score	20.085	23.598	27.171	36.624	29.812	33.641	38.145	47.573
Std. Deviation	12.176	14.426	18.326	24.012	24.047	23.827	28.527	28.111

Total sample = 117 companies for each year

Inferential statistics were subsequently conducted to test whether these increases were significant. A *Kolmogorov-Smirnov* test was initially applied to check the normality of the data distribution, and the results indicated that the majority of CSD scores from 2003 to 2006, for both CSD quantity and quality, were not normally distributed (p-values < 0.05). For this reason, a non-parametric test was performed on the raw data, and a parametric test was undertaken by transforming the raw CSD scores into a *natural logarithm* (ln). This transformation resulted in a normal distribution (p-values > 0.05).

Kruskal-Wallis was chosen as an appropriate non-parametric test. The results for both total CSD quantity and quality showed significant

differences among the four years examination (p-value < 0.05).

Table 2. Kruskal-Wallis Test Result

CSD	Kruskal-Wallis Test	
	Chi-Square	Asymp.Sig
Quantit	42.979	0.000
Quality	36.545	0.000

A *paired sample t-test* was then applied to transformed data, labelled by ln-CSD. The results detailed the significant differences in the yearly sequence (from 2003 to 2006). The significant level of 0.00 (p-value < 0.05) explains that CSD quantity is significantly different from CSD quality (Table 3).

Table 3. Paired-Sample T-test for CSD Total Quantity and Quality 2003-2006

Paired Samples Test							
		Paired Differences			t	df	Sig. (2-tailed)
		Std. Deviation	95% Confidence Interval of the Difference				
			Lower	Upper			
Pair 1	TotCSDQT - TotCSDQL	.19362	-.32893	-.29376	-34.787	467	.000

Based on the understanding that the CSD data was sourced from similar companies which were repeatedly tested for the four years period, a repeated measures ANOVA

was conducted to obtain robust results. The values of *Wilks' Lambda* or *U statistic* show moderate levels (0.475 and 0.519 for quantity and quality respectively).

Table 4. Repeated Measures ANOVA for CSD Quantity and Quality 2003 to 2006

Test	CSD quantity		CSD quality	
	Value	Sig	Value	Sig
Pillai's Trace	0.525	0.000	0.481	0.000
Wilks' Lambda	0.475	0.000	0.519	0.000
Hotelling's Trace	1.104	0.000	0.927	0.000
Roy's Largest Root	1.104	0.000	0.927	0.000

The overall results are relevant to the observation that CSD disclosures in Indonesia grew quite remarkably every year. This trend is expected to continue in

the future, as positive trends for CSD are also evident in other Asian countries, such as Bangladesh, Malaysia, and Thailand (Deegan, 2002a; Imam, 2002; Mathews,

1997; Rashid & Ibrahim, 2002; Ratanajongkol et al., 2006).

4.1. Content of disclosure

As predicted, 'human resource' information was the dominant disclosure in the company annual reports for both

CSD quantity and quality during the four years of examination. For CSD quantity, the second most disclosed item was 'other information' followed by 'community',

while for CSD quality, 'community' was the second most disclosed item, followed by 'other information'. This difference was the result of more comprehensive 'community' information, with many pictures of social activities, and the amount of allocated budget to generate high scores for quality. The mean scores were calculated using descriptive analysis; a summary is provided in Table 5.

Table 5. Descriptive statistics for CSD themes disclosed by companies during 2003-2006

Descriptive statistics	QUANTITY			QUALITY		
	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Sum</i>	<i>Mean</i>	<i>Std. Deviation</i>
Environmental	827	7.068	8.847	1,444	12.342	16.877
Energy	186	1.590	3.105	317	2.709	5.010
Human Resource	4,959	42.385	11.488	6,474	55.333	16.499
Community	2,513	21.479	13.962	4,082	34.889	21.552
Product	1,002	8.564	4.775	1,429	12.214	7.102
Sustainability	126	1.077	2.447	154	1.316	2.864
External Relation	338	2.889	2.403	465	3.974	3.067
Other Info	2,620	22.393	8.750	3,239	27.684	10.038

Cooper (2004) explains that revealing 'human resources' is important because they play a significant role to support the company's life. Employees are crucial because they are directly associated with business operational activities, including the practice of CSD (Ramasamy & Hung, 2004). The 'other information', that is information about 'good corporate governance' (GCG), had been the second and third major disclosures in CSD quantity and quality respectively. The clear link of good corporate governance to the practice of CSD has not been subject to rigorous empirical testing. However, one study has discussed the critical role of corporate governance and its potential for promoting CSD in Russian business (McCarthy & Puffer, 2008). This study suggests non-Russian businesses operating in Russia had to be aware of GCG practice in that country in order to comply with CSD. This can be interpreted as business

sustainability being dependant on good corporate governance practice and a social responsibility. Theoretically, this idea is acceptable. However, in Indonesia, it is still unclear whether a company that discloses GCG can be seen as confirming its social responsibility, as both aspects are complementary; CSD appears to have more issues related to stakeholders while GCG has more emphasis on ethical business issues. In fact, some of the companies disclose GCG in their annual reports just to comply with the government regulations, unaware that appropriate practice and reporting of good corporate governance is also important for realisation and reporting of its social responsibility.

Information about 'community' was the third most frequent information disclosure in CSD quantity and the second major disclosure for CSD quality. This was similar to the findings

of Kuasirikun and Sherer (2004), and Ratanajongkol et al. (2006), in their study of Thai companies. Social pressure together with local community pressure is a relevant explanation as to why companies disclose a lot of information about their community activities. In particular, business enterprises today are under pressure from the community to report the activities they have conducted in protecting community interests and demands (Imam, 2000).

In contrast to the most disclosed information, 'energy' and 'sustainability' were found to be less important. Two possible reasons explain this situation: first, companies are unaware of efficient energy utilisation, and second, many companies do not realise that 'energy' closely relates to CSD. A similar reason for minor disclosure in 'sustainability' is that the companies are not familiar with disclosing sustainability in terms of economic and social activities, although they understand that maintaining economic and social values can create sustainability. In this context, the knowledge of reporting should be improved so that companies better understand the

information relevant to CSD, and how to inform the activities relative to CSD. The issue of energy efficiency and sustainability is increasing, so that disclosure about this information is becoming more essential.

The high variance numbers show that the CSD scores are widely spread between the most and the least disclosed information, indicating that some companies provide high CSD scores, while others are much lower. This also reflects the lack of standard or consistent CSD reporting within the company annual reports. Gray, Owen, and Adams (1996) explain that since the practice of CSD is still voluntary, the moral responsibility of companies plays an important role, therefore the practice of CSD varies among them. Table 6 presents the average total scores of 26.870 and 37.293 for quantity and quality respectively. Considering that the maximum possible scores are 225 and 315 for quantity and quality respectively, it is clear that the practice of CSD in Indonesian companies is still in its infancy.

Table 6. Total amount of disclosures

	Minimum	Maximum	Sum	Mean	Std. Deviation
Total CSD Quantity	4	113	12,575	26.870	18.795
Total CSD Quality	4	195	17,453	37.293	26.965

Total sample = 468 companies for 4 years examination

The small number of disclosures reported in this study is consistent with the results of other studies in Bangladesh, Thailand, and Malaysia (Belal, 2001; Ratanajongkol et al., 2006; Thompson & Zakaria, 2004). The results reinforce the argument by Gray, Owen, and Adams (1996) who stated that since there are no existing guidelines specified by the accounting and reporting authorities, the disclosure is left to the discretion of management. Further, lack of understanding and perceived benefits of CSD, as well as the cost of reporting may also contribute to the apparent low scores in both quantity and quality (Thompson & Zakaria, 2004).

Table 7 describes the percentage of companies which disclosed corporate social information in their annual reports based on each CSD theme. It shows that generally, there were increased numbers of companies which disclosed the information from the years 2003 to 2006. ‘Human resources’ information has been disclosed by more than 95% of companies, however, less than 25% of companies disclosed the ‘energy’ information. The decreased number of companies which disclosed the ‘sustainability’ information from 2005 to 2006 may have been caused by the increased numbers of sustainability reports produced by the companies, so that the information disclosed in the annual reports declined.

Table 7. The percentage of companies in Practising Their Disclosures

	2003	2004	2005	2006
Environmental	0.205	0.222	0.239	0.333
Energy	0.103	0.068	0.085	0.205
Human Resources	0.966	0.983	0.983	0.991
Community	0.513	0.624	0.598	0.829
Product	0.538	0.607	0.624	0.726
Sustainability	0.068	0.077	0.085	0.060
External Relation	0.128	0.205	0.274	0.513
Other Information	0.752	0.838	0.872	0.983

4.2. Nature of Disclosure

Positive and descriptive information has been predicted as a common practice of CSD (Deegan & Gordon, 1996; Tilt, 2001). No negative information could be found during this study, and little information disclosed comprehensively, in the context of quantitative, graph, or monetary. The positive descriptive (declarative) information was predominant. Companies seem to fear negative public reaction to any ‘bad news’ reports, such as fines or penalties. This public reaction could have an adverse impact on the company image (Adams, 2002). Declarative ‘good news’ was predicted, as the Indonesian companies may use CSD to obtain a good company image and enhanced credibility. This

situation coincides with other major studies, which reported the same findings (Adams, 2002; Milne, Owen & Tilt 2000; Wilmshurst & Frost, 2000).

Specific events may increase the extent and nature of CSD, as indicated during the content analysis process. Given the fact that many Indonesian companies provide extensive information about serving communities through donations, the nature of charitable provision focused on supporting victims of natural disasters relating to a particular tragedy. However, apart from the similarities in disclosing the nature of donations, the

other content of disclosures varied across industries. Service industries provided the

lowest disclosures on the 'environmental' theme, but the greatest information on the 'human resources' and the 'external relations' themes, especially regarding customers. Companies involved in mining tend to disclose compliance to specific government regulation in land reclamation and repair of environmental damage. The location of the companies operations also influenced the information of CSD, as the practice of social activities was related to the needs of the local communities. Other factors, such as the interests of companies and management competencies were also strongly associated with the nature of disclosures (Owen & Scherer, 1993; Ratanajongkol et al., 2006).

4.3. Corporate social disclosure item analysis

The following discussion describes the items disclosed by Indonesian companies under each CSD theme.

4.3.1. Environment

The amount of 'environmental' information disclosed in the annual reports was relatively low. The few disclosures that were made refer to the repair of damage to, or protection of the environment, the receipt of awards for environmental activities, and reducing pollution. The companies were evidently unaware of the need to disclose information such as the efficient use of natural resources, or the training of employees in environmental issues. There was also no disclosure about 'receiving penalties' as a result of environmental violations, although in fact, some companies had received penalties. It was noticed that companies in the oil industry, mining, agriculture, food and beverages, and paper and allied products provided more environmental information compared to other industries, demonstrating that industry type may have an affect on differences in CSD information.

Environmental reports were identified as another form of reporting environmental activities. These reports did not usually accompany the annual reports, but were

separate reports. Although few in number, the big Indonesian companies tended to produce this kind of report for more comprehensive disclosures. It is likely that more companies will produce environmental reports in the future as the number of reports in 2006 was greater than in the previous years.

4.3.2. Energy

'Energy' received minimal attention in CSD. This information appeared as uncommon information for Indonesian companies (Gunawan, 2007) as they may have assumed that energy saving is not a part of CSD, or they were unaware of the use of efficient energy. Ratanajongkol et al. (2006) also reported that among industries (refer to manufacture, finance, and property) 'energy' was informed as the least disclosed in the Thai companies annual reports.

Within the 'energy' theme, 'efficiently using energy during the manufacturing process' was the most disclosed. In contrast, 'voicing the company's concern about energy shortage' was rarely reported. However, bio-diesel fuel was being used by a small number of companies which disclosed they had been using it in their operations to 'save energy'. It is worth noting that this information is considered as a good indication that 'energy' may be disclosed more in the future. Others reported that they had reduced energy consumption to save production costs. One example about 'energy' disclosure that showed the concern for energy shortage was "... company concerns about the lack of energy as there were huge exploitations of the natural resources; therefore we are all aware we should use the energy wisely ...".

In line with the fact that the price of petrol is rising globally and subsequently transportation costs too, more attention should be paid to an awareness of using energy efficiently. This would be similar to the environmental accounting that has been developed as a new branch of accounting to enhance the existing 'cost management' knowledge, for example, a new idea such as 'energy accounting' could be considered.

Beyond the pros and cons, there are certain benefits to be obtained in calculating energy consumption so that people understand the value of energy and realise how much money they can save by using energy efficiently. A further positive impact is that many social problems can be eliminated by this saving. The funds generated from this saving can be used to develop the communities or to conduct other social activities that bring more benefits for them. Thus, responsible energy usage is expected to become of greater concern and its impact will be more significant on CSD.

4.3.3. Human resources

As discussed above, 'human resource' information has been the major disclosure in company annual reports. 'Employee profiles', including managerial levels, board of director's profiles, and number of employees were dominant in CSD quantity and quality, as this information was considered a compulsory disclosure. Obviously, all the Indonesian annual reports had comprehensive information about their boards of directors and commissioners, with descriptions about their education and employment history, complete with impressive photographs. The second most disclosed item in 'human resources' is 'employee training'. This issue includes 'external and internal training', 'providing financial assistance to employees in educational institutions' or continuing education', or 'establishing training centre for both employees and communities'.

In contrast with this finding, information about 'employment of minorities or women' is the information least disclosed by the companies for all CSD items; it reveals that companies employ people from the local community. The information about creating a harmonious, fair, transparent and conducive work environment, establishing environment, health and safety (EHS) policy, stating the number and severity of accidents per million man hours worked, and declaring health and safety management systems, are examples of the 'employee health and safety' disclosure

items. The major information for 'employee assistance or benefits' include providing staff accommodation or home ownership schemes, scholarships for employees' children, and recreational activities, such as togetherness in sport activities, and family or employee days.

'Employee remuneration' was disclosed by information regarding the implementation of employee revenue systems and payroll, and compensation schemes based on performance measures. This information has become greater as it is now a government directive related to the practice of good corporate governance. 'Disclosing company's relationship with trade unions and/or workers, was found as representative of 'industrial relations'; however, no information about any strikes, industrial action or activities or the resulting losses in terms of time and productivity were included. Finally, other information such as re-organisation, closures, reduction in number of employees, and employee turnover were associated with events that occurred in the company during that period. This information was rare, as business in Indonesia is sensitive in relation to labour issues.

4.3.4. Community involvement

Maintaining a good relationship with communities surrounding the location of the company is important to insure that activities of the company operate effectively. Indonesian companies believe that this is 'social permission' to conduct a business. For this reason, the majority of social responsibility activities are targeted to serve the community, particularly community development. Thus, the disclosures about community, especially charity, were easily found in the company annual reports.

It is worth noting that 'corporate giving or donations' was the major information under the 'community' theme. Evaluation of statements about corporate giving shows that a company was motivated by a desire to support local community needs, while improving community awareness of the

'good' name of the company. These intentions are classified as local community support and commercial motivation (Meijer et al., 2006). The companies eventually had to allocate a significant amount for donations in order to maintain good relationships with the local communities and government. This situation appears common with big or prominent companies that received much public attention. As Indonesia has the largest Muslim population of any country in the world, the perception of 'donation' is also relevant to Islamic values, namely 'zakat' (Al-Ali, 2006). Thus, Indonesian companies consider that 'providing donation' not only represents company social responsibility, but complies with their religion beliefs.

Other specific disclosures under 'community involvement' include 'sponsoring public health', in which the most disclosed items were 'blood donation programs' and 'free medical treatment' for local residents. Some companies financed medical faculties in collaboration with certain universities or institutions to conduct medical research, although the medical research itself has not been developed in Indonesia. Providing scholarships for further study was noted as a remarkable disclosure in the company annual reports of some large and famous companies. These scholarships are provided not only for their employees' families, but also for public.

Most of the disclosures for 'other special community related activities' were about companies' involvement in the community's activities such as providing water pumps and tanks for supplying clean water, electricity generators, or paving roads. These activities were normally conducted together with the local residents. 'Supporting national sport tournaments' or 'campaigns to prevent youth smoking' were examples of CSD, showing that companies were involved in government programs. Supporting the development of local industries was revealed by companies that provided credit schemes or facilitated small and medium enterprise's access to sources of finance. 'Company community

programs designed to respect the rights of indigenous peoples' was an example of 'recognising local and indigenous communities'. This kind of statement however, was found infrequently. The last item, 'providing aid or compensation to communities' was represented by the information of compensating for land that belongs to local communities after the company's exploration process in bauxite subtraction, and by building water irrigation schemes for them.

4.3.5. Products

'Products' information was easily identified in the annual reports. 'Product safety' was the most expected disclosure by stakeholders, but disappointingly, this information seemed to be neglected when compared with other product information, such as 'product development' and 'product quality'. The disclosures in 'product safety' were only provided by companies in food and pharmaceutical industries as they are obliged to comply with product safety regulations. This may be the reason why companies not involved with food or pharmaceutical manufacture tended to be resistant to disclosing this information. Another reason is, perhaps, that the nature of the industries was not compatible with the issue of product safety, for example, in companies in service industries. Other examples of 'products' disclosures were associated with new product packaging, the amount or percentage of research and development expenditure to improve existing products, and the release of new products. Information about the achievement and maintenance of ISO 9000 series certification was also dominant, showing that companies fulfilled the requirements in producing quality products.

4.3.6. Sustainability

Only companies that clearly linked their sustainability efforts with economical and social values in long-term decision making and performance issues were considered to have completed this CSD item. The following sentence "... in order to maintain

sustainability, the company has continually decided to focus on economic and social improvements by returning some profits to support social development ...” and “... company believes that maintaining economical and social development is a tool to create sustainability...” are examples of this disclosure. There are still some debates about whether social activities really create sustainability or if they are just another cost to secure company operations. This perception may be the reason why disclosure about the linkage between sustainability and economic and social values was hard to identify in the annual reports.

4.3.7. External relations

Common disclosures addressing the manner in which companies maintain their external relations emphasised ‘customer communication’. This kind of disclosure was easily found in service industries that were oriented towards customer relations, particularly in the banking sector. Information about ‘holding regular meetings with their stakeholders’ was also disclosed by different industrial sectors.

4.3.8. Other information

The last section in the disclosure list is ‘other CSR information’. This includes the issues of corporate policies, company concern for their stakeholders, and various awards received by companies, reflecting their good performances. The information about good corporate governance (GCG) has been disclosed regularly, particularly in establishing an independent commissioner and audit committee. Two other disclosure items reported company concerns about the issue of human rights, and achievement of several awards, such as CSR awards, Customer Satisfaction Awards, Best Brand Awards, and Best Companies for Corporate Governance. The reporting of these achievements was often accompanied in the report by impressive pictures of the awards.

5. Conclusion and Implications

5.1. Conclusions

To conclude, several points can be drawn. First, with regard to the reporting methods, nature, location, and the amount of CSD, this study provides similarities with CSD practices in the majority of Asian countries (Imam, 2000; Kuasirikun & Sherer, 2004; Purushothaman, et al., 2000; Ramasamy & Hung, 2004; Ratanajongkol et al., 2006). Second, the ‘Board of Directors’ section in the annual reports is not always the most important location for CSD, as the disclosures are spread across the management discussions, GCG section, and separate sections indicating direct topics, such as ‘social activities’, ‘maintaining environment’, or the many other terms used to describe CSD. Third, the type of industry influences the type of information disclosed by the company, but the nature of the disclosures was similar, that is, in terms of descriptive and positive information. Fourth, the specific events became general disclosures when they happened during the specific period. Fifth, the amount of disclosure, both in quantity and quality, was limited, because the companies were still uncertain about the benefits of CSD and they were more reluctant to provide the information if the disclosure costs rise. Sixth, it was noticed that the companies had been looking for the ‘best’ type of report to disclose their CSD activities. They consider that annual reports may not be appropriate anymore as they have limited space to disclose CSD, being mainly for presenting financial reports. Finally, despite the similarities within Asian countries, this study supports the idea that many aspects should be considered as greatly influencing CSD, such as social, political, cultural, legal or government, economic, and technology factors (Belal, 2001; Tsang, 1998).

Further investigation showed that ‘state owned companies’ have provided much higher CSD compared to ‘non-state companies’. Cormier and Gordon (2001) asserted that ‘company status’ closely links to

the idea of 'legitimacy' because government owned companies are politically supported and must practise CSD more for reasons of accountability and visibility as outlined in legitimacy theory. This indicates that legitimacy theory is likely more relevant in explaining CSD practices in Indonesia than is stakeholder theory. Moreover, there is an indication that Indonesian companies tend to pay little attention to serving stakeholder's needs. 'Serving communities' as disclosed in the company annual reports was merely targeted to 'secure' company business operations and 'avoid' any social or law penalties. Thus, it may be said that Indonesian companies practise CSD, essentially to smooth their relationships with government and society. However, Gray, Kouhy, and Lavers (1995) emphasise that CSD is a complex activity that cannot be fully explained from a single theoretical perspective or from a single level of resolution. Agency theory or political cost theory might also be relevant in explaining some areas of CSD (Smith, Yahya & Amiruddin, 2007; Watts & Zimmerman, 1983).

5.2. Limitations

A number of limitations are present in the current study. Firstly, only annual reports, from listed companies, accessible for four years were included; therefore, it may not be possible to generalise these results to the wider Indonesian context. Secondly, as a result of the limited availability of annual reports, the data collection may be insufficient for certain frequency analyses. Third, some issues surrounding the validity of the content analysis method may appear because the technique of codifying text into numbers is still considered to be subjective. The level of subjectivity in coding the different items of disclosures is unavoidable given the diversity of the presentation in the annual reports. Therefore, to address this issue, this study has developed a set of guidelines and employed other coders. Finally, since the practice of CSD in

Indonesia is still in the embryonic stage of development; it may generate unsatisfactory results for the extent of CSD in both quantity and quality. A more refined measuring system that acknowledges the extent of CSD could possibly have produced different results from those observed in this study.

A need exists to improve the quantity and quality of CSD among companies. It may, therefore, be timely for accounting professional bodies and the 'Indonesian Accounting Standards Board' to seriously consider the development of social reporting standards. At the same time, however, this body can also play a significant role in improving the knowledge of conducting social reporting, for example, by promoting other report formats beyond financial statements or annual reports, such as environmental reports or sustainability reports. The 'Capital Market Supervisory Agency' should also provide guidelines for informing social activities in company annual reports. There is a plan for the implementation of both the 'Act on Cooperation Limited' and ISO 26000, which may be a way to incorporate CSD development and improvement. Government, industrial bodies, accounting profession, and scholars should also be involved to improve this CSD practice.

5.3. Future practice for Corporate Social Disclosure in Indonesia

This study offers a platform for further work relating to future predictions based on the updated practices. During the last two years an important potential regulation and a particular certification for social activities have been introduced for companies in Indonesia with the endorsement of the 'Act on Cooperation Limited' on 20th July 2007, article number 74. Under this law, all natural resources companies will be obligated to conduct and report their social activities, and will remove the incentive for companies to conduct and report any voluntary social activities in Indonesia, once it is enacted as law. The second practice was the introduction of ISO

26000 as guidance for social responsibility. This guidance is currently being reviewed to suit the Indonesian business environment. Some important effects of the implementation of this standard are the universal responsibility of all companies, institutions, government and non-government organisations, and the public to engage in social activities. In addition, ISO 26000 stresses social activities to include good corporate governance, human rights, human resources, environment, 'true and fair' business practices, and consumer issues. This, again, highlights the scope of social activities as being broader than the environment.

Future practice for CSD in developing countries appears closely related to the involvement of Government. The imposition of regulations and certification seem to be a good start to drive the CSD practices. Since the issue of 'social problems' is potentially more complex in developing countries compared to developed countries, so the necessary approach to CSD practices is different too.

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Appendix 1
Disclosure themes and items

a. Environment

Environmental pollution:

1. Pollution control in the conduct of the business operations
2. Statements indicating the company's compliance with environmental laws and regulation
3. Statements indicating that pollution from operations has been or will be reduced
4. Prevention or repair of damage to the environment
5. Natural resources, e.g. recycling glass, metals, oil, water and paper
6. Efficiently using materials resources in the manufacturing process
7. Supporting environmental campaign
8. Receiving an award relating to the company's environmental policies or programs or penalties against the environmental regulations

Aesthetics

9. Designing facilities harmonious with the environment
10. Contribution in terms of cash or art/sculptures to beautify the environment

Other

11. Undertaking environmental impact studies to monitor the company's impact on the environment
12. Training employees in environmental issues
13. Technology applied to support environmental existence

b. Energy

14. Conservation of energy in conducting the business operation
15. Efficiently using energy during the manufacturing process
16. Discussing the company's efforts to reduce energy consumption
17. Voicing the company's concern about the energy shortage

c. Human Resources

18. Employee health and safety
19. Employment of minorities or woman,
20. Employee training
21. Employee assistance / benefits
22. Employee remuneration
23. Employee profiles
24. Employee share purchase scheme
25. Employee morale
26. Industrial relations
27. Other information in relation to working conditions and reorganisation

d. Community involvement

28. Donation of cash, products or employee services
29. Sponsoring public health projects
30. Aiding medical research
31. Sponsoring educational conferences, seminars or art exhibits
32. Funding scholarship programs or activities
33. Providing civic amenities or supporting town planning
34. Supporting national pride/government sponsored campaigns
35. Supporting the development of local industries or community programs and activities

- 36. Recognizing local and indigenous communities
 - 37. Providing aid or compensation to communities around their operations
- e. Products
- 38. Product development
 - 39. Product safety
 - 40. Product quality
- f. Sustainability
- 41. Information about the integration of economic and social goals and values, linkage with long term decision making and performance issues
- g. External relations
- 42. Stakeholder requirements, stakeholder communication, benchmarks, consultation and information issues
- h. Others
- 43. Corporate objectives/policies/mission
 - 44. Other disclosing/reporting to groups in society other than shareholders and employees
 - 45. Receiving other penalties/awards, beside environmental and energy issues

ENVIRONMENT EXTRA!

New IFAC Sustainability Framework Supports Organisations in Improving Products, Lowering Costs, And Raising Good Will

IFAC, New York/6 February 6, 2009.

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has developed a comprehensive *Sustainability Framework* to support professional accountants and their organizations in integrating a sustainable way of thinking and working in all business processes. The Framework illustrates how a commitment to sustainability can help to further improve an organization's products or services, motivate its people, lower its costs and enhance its reputation.

Designed from four different perspectives - business strategy, internal management, financial investors, and other stakeholders - the new Framework challenges conventional ways of thinking about economic, social and environmental achievements. It also promotes the injection of sustainability leadership into the full management cycle, from making and executing strategic decisions to reporting on performance to all stakeholders.

Roger Adams, chair of the PAIB Committee's Sustainability Framework Project, highlights the holistic view of sustainability taken by the Framework: "It recognizes the importance of the three main dimensions of sustainability: economic viability, social responsibility, and environmental responsibility, as well as their interconnectivity. We hope that this Sustainability Framework provides the means and motivation for professional accountants to address sustainability issues with greater vigor."

"Although the accounting sector itself might

be considered a relatively low-impact sector in terms of direct environmental and social impacts, it is the accountant's involvement in the twin issues of organizational decision-making and external reporting that imposes on the accountancy profession the responsibility for understanding, absorbing and articulating the implications of the sustainable development debate," emphasizes Mr. Adams.

IFAC's Sustainability Framework is a web-based tool that allows users to easily navigate those sustainability issues that are most important to their immediate roles and to select and use those examples of good sustainability practice that can work in their organizations.

The Sustainability Framework can be accessed free-of-charge on the International Center for Professional Accountants in Business section of the IFAC website at: www.ifac.org/PAIB.

Expert: Europe 'unaware' of its water footprint

17 February 2009

While Europe may take better care of its water resources than other continents, it in fact uses larger quantities via imports of goods such as cotton, beans or wood, which often come from regions that already suffer from water scarcity, argues a UN expert in an interview with EurActiv.

The notion of "virtual water" embedded in a commodity or a product, is an essential part of the 'water footprint' theory but has not yet received much attention, argued Maude Barlow, a special adviser on water issues to the president of the UN General Assembly.

However, she warned: "You are going to hear about this virtual water trade a lot more in the next few years."

A water footprint is the total amount of water a country needs to sustain its population and industry. But while Europe tries to take good care of its own resources, it uses water from other places via its agribusiness imports. "I think it is important to find out about each country's footprint, how much of your water comes from outside the country and what was the energy needed to bring that water here," she said.

Barlow called into question European consumers' way of life, with some wanting strawberries all year round.

Meanwhile, African lakes are dying, because the berries suck up water which is then shipped out of the country, she said. Great Britain alone "imports two thirds of its water footprint. And it imports it from Africa, Latin America and from places which don't have any water," she noted.

As for biofuels, she noted that while there is a drive to grow biofuels to combat CO2 emissions, "we don't stop and ask what biofuels might do to other parts of nature. They are water guzzlers. Biofuels and corn ethanol use a huge amount of water".

Water and climate change

Barlow thinks that the chance of getting water high up the agenda of the UN climate change negotiations in Copenhagen are "slim", as "Copenhagen is already so contentious and there are so many issues". However, she thinks that water may well become part of the post-Copenhagen talks once people become more water conscious.

"The water crisis is where climate change was five years ago. It is just starting to get into the media and people's heads, and in five years it will be what people talk about," she said.

Barlow also argued that the water crisis must no longer be considered a result of climate change, but rather as another side to the equation of what causes climate change.

"You've got to get the analysis right if you're going to get the answer right," she said.

Water as a human right

Regarding calls to establish access to water as a human right, Barlow said it is possible "to begin the process toward the notion that no-one should be denied water because they can't pay for it". She explained: "This clearly does not mean the right to fill one's swimming pool, but it is about the right to life and to water for your daily needs, and about the right to local sustainable food production."

However, this will not happen overnight and some countries have different reasons to oppose it, she underlined. According to Barlow, in Canada and the United States, for example, serious water crises are hitting indigenous reserves and neither government wants to face litigation over such a right. At the same time, governments of poor countries fear that their populations will use it to sue them, Barlow said.

Need for water pricing

While she supports water as a human right, Barlow said she also supports water pricing, on three conditions:

- That the water is public, delivered by government not-for profit agencies so that the money collected goes back into protecting source water and infrastructure re-building, etc.;
- that one does not buy the water but pay for the service, so it is not about people owning water, and;
- that 'bloc pricing' guarantees a certain amount of water for free or inexpensively for basic needs, and then the price would go up at next levels of usage.

"There is a commercial role for water but it would always have to be done by permit and with the ability for the governments to

re-control the water" if the permits are not being used sustainably.

"I don't think we need private companies to run water services, water delivery and waste water, because governments can do that perfectly well on a not-for-profit basis. So I'm opposed to companies like Suez and Veolia running water services," because private companies should not be making decisions about water allocation, Barlow said.

However, she does see a role for businesses in putting together and upgrading infrastructure and hardware that is out of the governments' control. She said businesses can also help with the expertise, consulting and innovation to help industry cut its water footprint or invent water cleaning techniques.

Source:

<http://www.euractiv.com/en/environment/eur-ope-unaware-water-footprint/article-179532>

Leaders from business, labour and civil society call on governments to demand greater transparency from companies in this time of crisis

10 March 2009

Global leaders from business, labour and civil society today declared their belief that the lack of transparency in the existing system for corporate reporting has failed its stakeholders. In issuing The Amsterdam Declaration on Transparency and Reporting, Board Members of the Global Reporting Initiative called on governments to introduce policies requiring companies to address publicly environmental, social and governance (ESG) factors.

The declaration states that the root causes of the current economic crisis would have been moderated by a global transparency and accountability system based on the exercise of due diligence and the public reporting of

ESG performance. It calls on governments to take leadership in rebuilding a revitalized and resilient economic system through:

- Introducing policy requiring companies to report on ESG factors or publicly explain why they have not done so.
- Requiring ESG reporting by their public bodies – in particular: state owned companies, government pension funds and public investment agencies.
- Integrating sustainability reporting within the emerging global financial regulatory framework being developed by leaders of the G20.

Professor Mervyn King, Chair of The Board of Directors at GRI, Chair of the UN Global Corporate Governance Committee and former Judge on the Supreme Court of South Africa said: "As we seek to rebuild our economic system following the financial crisis, transparency on economic, social and governance issues from our companies must be paramount. Regulators, financial markets, companies and civil society will need comprehensive information on which to assess strategic risks and opportunities."

The signatories to the declaration emphasize that the focus on the current financial crisis threatens to mask the sustainability crisis which itself poses an even greater risk to our economies and societies.

"Only through a new reporting model, which takes account of forward looking data, as well as previous corporate financial data, will we be able to work out how companies are positioned to meet these future challenges," added Ernst Ligteringen, Chief Executive of The Global Reporting Initiative.

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1. Full text of The Amsterdam Declaration on Transparency and Reporting

We, The Board of The Global Reporting Initiative (GRI) believe that the lack of transparency in the existing system for corporate reporting has failed its stakeholders. While we recognize that certain governments have shown leadership on corporate sustainability disclosure, we call on all governments to extend and strengthen the global regime of sustainability reporting. In particular, assumptions about the adequacy of voluntary reporting must be re-examined.

We, The Board of GRI, conclude that:

- The root causes of the current economic crisis would have been moderated by a global transparency and accountability system based on the exercise of due diligence and the public reporting of environmental, social and governance (ESG) performance.
- The profound loss of trust in key institutions is best addressed by the adoption of a global reporting framework that enhances transparency and is informed by the legitimate interest of all key sectors of society.
- A revitalized and resilient economic system will only be sustained if it accounts for the full costs and value of ESG activity.

Therefore the Board of GRI calls on governments to take leadership by:

1. Introducing policy requiring companies to report on ESG factors or publicly explain why they have not done so.
2. Requiring ESG reporting by their public bodies – in particular: state owned

companies, government pension funds and public investment agencies.

3. Integrating sustainability reporting within the emerging global financial regulatory framework being developed by leaders of the G20.

Beyond this we emphasize that the focus on the current financial crisis threatens to mask the century's defining sustainability crisis which itself poses an even greater risk to our economies and societies.

2. Signatories

The Board of Directors of the Global Reporting Initiative comprises: Prof. Mervyn King (Chair), Ms. Jacqueline Aloisi de Larderel, Mr. Ignasi Carreras, Mr. Kishor A. Chaukar, Mr. John Elkington, Ms. Denise Esdon, Mr. John Evans, Mr. Sean Harrigan, Mr Ernst R. Ligteringen, Dr. Simon Longstaff, Mr. Herman Mulder, Mr. Kumi Naidoo, Mr. Peter Wong, Mr. Ricardo Young Silva.

3. About The Global Reporting Initiative

The Global Reporting Initiative has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

Source: Global Reporting Initiative (GRI)
http://www.globalreporting.org/NewsEvents/Press/PressResources/PressRelease_10March2009.htm

FORTHCOMING CONFERENCES

British Accounting Association Annual Conference 2009 - University of Dundee, UK - 21st - 23rd April 2009
<http://www.baa.group.shef.ac.uk/>

EMAN 2009 Conference: `Environmental Accounting - Sustainable Development Indicators' - Prague, The Czech Republic - 23rd - 24th April 2009 <http://www.ea-sdi.ujep.cz/>

European Accounting Association (EAA) 32nd Annual Congress - Tampere, Finland - 12th - 15th May 2009 <http://www.eaa-online.org/>

1st International Conference on Sustainable Management of Public and Not for Profit Organisations Conference - Bologna, Forli Campus, Italy - 1st - 3rd July 2009 <http://smog.econ.usyd.edu.au/>

15th Annual International Sustainable Development Research Society Annual Conference - Utrecht, The Netherlands - 5th - 8th July 2009 <http://www.isdrs.org/>

9th Interdisciplinary Perspectives on Accounting Conference (IPA) - Innsbruck University School of Management, Austria - 9th - 11th July 2009. The Emerging Scholars Colloquium will be held on 7th - 8th July 2009 <http://www.uibk.ac.at/atr/ipa2009/>