

Environmental and Social Reporting Practices of Shariah-Approved Companies in the Environmentally Sensitive Industry in Indonesia

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Abstract: *This study explores the extent of environmental and social reporting (ESR) in the annual report of Shariah-Approved Companies (SAC) in the Indonesian environmentally-sensitive sectors and examines whether there are any differences in the disclosure strategy between SAC and Non-SAC. According to social accountability and disclosure concept, companies which practice Islamic concept would normatively disclose more information about environmental and social responsibility. Using content analysis on annual reports of Indonesian listed firms in the manufacturing and mining industries, we find some differences in the disclosure strategy between SAC and Non-SAC. SAC tend to have more concern toward environmental responsibility information, whereas Non-SAC tend to disclose more about social responsibility information. Further, we find that firms issuing sustainability reports tend to have a higher level of ESR disclosures. However, we do not find support on the role of the external auditor in encouraging their clients to disclose more information on ESR, which could be due to the lack of standard and guideline in disclosing ESR provided by the regulator.*

Keyword: *Environmental and Social Reporting; Sustainability Report; Shariah-Approved Companies; GRI G4*

Abstrak : *Studi ini mengeksplorasi tingkat pelaporan lingkungan dan sosial (ESR) dalam laporan tahunan Perusahaan-Perusahaan yang Disetujui-Syariah (SAC) di sektor-sektor yang peka terhadap lingkungan di Indonesia dan memeriksa apakah ada perbedaan dalam strategi pengungkapan antara SAC dan Non-SAC. Menurut konsep akuntabilitas dan pengungkapan sosial, perusahaan yang mempraktekkan konsep Islam akan secara normatif mengungkapkan lebih banyak informasi tentang tanggung jawab lingkungan dan sosial. Menggunakan analisis konten pada laporan tahunan perusahaan-perusahaan yang terdaftar di Indonesia di industri manufaktur dan pertambangan, kami menemukan beberapa perbedaan dalam strategi pengungkapan antara SAC dan Non-SAC. SAC cenderung lebih memperhatikan informasi tanggung jawab lingkungan, sedangkan Non-SAC cenderung mengungkapkan lebih banyak tentang informasi tanggung jawab sosial.*

Lebih lanjut, kami menemukan bahwa perusahaan yang menerbitkan laporan keberlanjutan cenderung memiliki tingkat pengungkapan ESR yang lebih tinggi. Namun, kami tidak menemukan dukungan pada peran auditor eksternal dalam mendorong klien mereka untuk mengungkapkan informasi lebih lanjut tentang ESR, yang mungkin karena kurangnya standar dan pedoman dalam mengungkapkan ESR yang disediakan oleh regulator.

Kata Kunci : Pelaporan Lingkungan dan Sosial; Laporan Keberlanjutan; Perusahaan yang Disetujui Syariah; GRI G4

1. Introduction

This study aims to explore the extent of environmental and social reporting (ESR) in the annual report of Shariah-Approved Companies (SAC) listed in Indonesia Stock Exchange and whether these group of companies has a different strategy of disclosure from Non-Shariah-Approved Companies (Non-SAC).

Despite the frequency and growth in concerns of SAC, there has been a scarcity of research about environmental and social responsibility in emerging economies where disclosure transparency is often questionable. Specifically, there is a lack of literature on the environment and social responsibility disclosure of SAC. Extant literature mainly focuses on the social reporting of companies in the banking industry and financial institutions. Hence, other industries which are sensitive to environmental and social issues, such as mining and manufacturing industries are left under-explored. Second, while SAC in Indonesia has attracted significant interests, studies exploring the reporting practices of those companies are very limited. Third, while SAC is regarded as companies with "higher" ethical values compared to Non-SAC ones, there is a lack of empirical findings which lend support to that notion. Therefore, there is a gap in the literature that needs to be filled.

Based on social accountability and full disclosure concept, we hypothesize that SAC has a different level of disclosure from the Non-SAC. Further, a firms' decision to publish a sustainability report as well as the type of external auditor involved in the report is associated with more transparent disclosure.

To address the research question and test the hypotheses we use a sample of annual report ESR disclosures for a sample of 80 firms in the mining and manufacturing industry, which are regarded as environmentally-sensitive companies. Using content analysis techniques, all the disclosures are carefully coded, and indices are developed to capture the nature and extent of firms' ESR disclosures. These indices are then applied in regression analysis to tests the hypothesized determinants of companies' ESR disclosure.

The results provide empirical evidence that Non-SAC discloses more information about environmental and social responsibility in their reports. It reveals that SAC tends to be less transparent in reporting ESR disclosure compared to Non-SAC. Further, companies that publish sustainability report tend to provide greater ESR disclosure than their counterparties which do not publish the report. The evidence shows that social accountability concept has not yet applied fully in SAC in Indonesia. The findings also suggest that the external auditor of a company does not seem to encourage its client to disclose more information about environmental and social responsibility. Thus, in addition to informing investors and other stakeholders, the findings can help policymakers, particularly in the environmentally-sensitive industry, in articulating better ESR disclosure requirements for listed companies.

The remainder of the paper is structured as follows. Section 2 discusses the literature and hypotheses development. Section 3 describes the research methodology. Section 4 presents the empirical results and discussion. Finally, Section 5 presents the conclusion, limitations, and future research.

2. Literature Review

Concerning financial statement preparation, Islam is more influential in the disclosure practice than in the issue of measurement, mostly due to the similarity between the measurement concept in Islamic and conventional accounting systems. As a consequence, it is perceived that a company's Islamic values can be better revealed from its disclosure practice, rather than its practice of measurement. There

are two basic concepts of the disclosure in Islamic accounting, namely the social accountability concept and the full disclosure concept (Baydoun & Willett, 2000; Haniffa & Hudaib, 2007).

From the perspective of social accountability concept, a man has a role as khalifah or God's trustees in the world. Hence, a man should be accountable for all of his actions to God in the hereafter (Maali, Casson, & Napier, 2006). According to the concept, man as a trustee has to be accountable to the community, environment, and society where he lives. Based on this perspective, information disclosure serves as a channel to disseminate the accountability. Meanwhile, the full disclosure concept suggests that society has the right to know about companies' significant activities and operations (Maali et al., 2006). Such information enables society to measure the impact of companies' activities and operations on society. Thus, consistent with this notion, Alam (1998) highlights that the conservatism principle in companies' disclosure is futile in Islamic accounting.

Following the concept of social accountability and full disclosure above, it is expected that the annual reports of SAC provide full disclosure of material information. The full disclosure of relevant and reliable information is warranted to facilitate companies' management in discharging their accountability to the society and to guide external users in making economic and religious decisions (Haniffa and Hudaib, 2002).

Further, concerning the man's duty as a trustee in the world, Islam also concerns about the good of the environment. That is, Islam instills the preservation of the environment and denounces any destruction or exploitation of it (Alam, 1998; Haniffa and Hudaib, 2002). Consistent with the social accountability and full disclosure concept, companies which practice Islamic concept should have been more motivated to disclose information related to the environment. This information includes any activities which may be harmful to the environment as well as activities related to the preservation of the environment. Furthermore, Maali et al. (2006) emphasize that Islamic values instill equal and fair treatment to all employees. Consequently, companies applying shariah principles need to

disclose information related to their employees, such as salaries/benefits, equal opportunities, human rights, and facilities to exhibit their accountability towards employees. Moreover, Haniffa and Hudaib (2002) indicate that companies have to disclose other important information related to employees such as employees' development, benevolent loans (qard Hassan), safety, as well as the working facilities.

Following the concept of social accountability and full disclosure above, the following hypothesis is proposed:

H1: SAC tends to have a greater level of environmental and social reporting than Non-SAC.

Further, larger audit firms are claimed as having better quality audits as they are more concerned about maintaining their reputations (DeAngelo, 1981). Extant empirical findings tend to confirm this claim. Audits by larger firms have been associated with higher earnings response coefficients, indicating a higher level of credibility (Teoh & Wong, 1993). Also, compared to smaller audit firms, larger audit firms invest more to maintain their reputation for providing quality audits (Ahmed & Nicholls, 1994). Accordingly, larger audit firms have more incentives to ensure companies comply with regulations, including disclosure requirements (Owusu-Ansah, 2005).

Research investigating the extent of corporate disclosure tend to provide consistent findings with the auditor reputation argument. A study in Bangladesh (Ahmed and Nicholls, 1994), New Zealand (Owusu-Ansah & Yeoh, 2005), and an international study (Street & Gray, 2002) supports the positive association between auditor type and the firms' mandatory disclosure compliance. Further, previous studies support that firms audited by a Big four auditor provide greater disclosures (Bassett, Koh, & Tutticci, 2007; Kent & Stewart, 2008; Nelson, Gallery, & Percy, 2010).

If the size of the audit firm indicates the likely quality of its audits, Big 4 auditors are expected to provide more effective monitors of ESR disclosures. Therefore the following hypothesis is proposed:

H2: *Companies which are audited by Big 4 public accounting firm tend to have a greater level of environmental and social reporting than other companies.*

Furthermore, some companies have voluntarily prepared and published sustainability reports (SR) in addition to the mandatory annual reports. These companies' willingness to voluntarily provide SR can be explained from the perspective of legitimacy theory and stakeholder theory. Legitimacy theory contends that to continue to operate, firms must obtain trust and legitimacy from society. The firms can obtain this trust by addressing the interests of the community. Whereas stakeholder theory argues that firms must fulfill the interests of all parties that influence the company. These interests are not only economic interests, but also non-economic ones. Social and environmental accountability is one way of companies' efforts in fulfilling non-economic interests to obtain public trusts.

SR represents the effort of a company to disseminate their economic, environmental and social performance¹. It is argued that the current financial statements have not sufficiently fulfilled the interests of stakeholders regarding the information on company performance. Gray et al. (1987) suggest that SR is a process of communicating the social and environmental effects on a company's economic performance. The company communicates the information to all stakeholders. The absence of standards governing the reporting of social and environmental accountability in Indonesia led to differences in the disclosure of information in the issuer's report in Indonesia. In the current regulation in Indonesia, there is no mandatory requirement for companies to issue SR separately

¹ <https://www.globalreporting.org/resourcelibrary/GoF47Para47-FAQs.pdf> publicly

from the mandatory annual reports². Rudyanto and Siregar (2018) find that Indonesia companies in environmentally sensitive sectors tend to have higher SR quality to legitimize the company's operations. This is due to pressure from the environmental group (i.e., Greenpeace) and pressure from the community. Following the above argument, companies which publish SR tend to disclose more environmental and social information, compared to the other companies that have not published such reports. Accordingly, it is hypothesized:

H3: Companies which published sustainability report tend to have a greater level of environmental and social reporting than other companies.

3. Research Method

3.1 Sample selection

This study focuses on companies in the environmentally-sensitive industry, i.e., companies in the mining and manufacture sector. The OSIRIS Bureau Van Dijk database was used to identify the population of companies listed in Indonesia Stock Exchange in 2013. Fifty of the largest companies were selected from both sectors. A total of 80 companies were identified after removing companies with incomplete data-set. Annual reports were collected from companies' websites and the Indonesia Stock Exchange website, whereas sustainability reports were taken from companies' websites.

3.2 Development of the Disclosure Index and Model Development

A comprehensive environmental and social responsibility index is constructed according to the GRI G4 guidelines. A score of 1 is given if an item of information in the guidelines disclosed in the company's annual and sustainability report and 0 if not. Environmental and social responsibility index of each company was calculated by summing the total value of information provided by the company. Based on the GRI G4 Guidelines, there are 48 disclosure items of social

². Specifically, we refer to Law No. 8 of 1995, Chapter X, Article 86 concerning Reporting and Information Disclosure.

responsibility information and 38 of the environmental responsibility. A final list of 86 items was then compiled and labeled as Environmental and Social Responsibility Score (ESR Score). The raw scores obtained from the three scoring procedures described above are standardized for each sample company using the following formula:

$$ESR\ Score = \frac{\sum X_j}{n_j}$$

- $\sum X_j$ = The ESR disclosure scores for company j based on the applicability of item i
- n_j = The maximum possible ESR disclosure scores for company j

The formula produces standardized scores ranging from 0 to 1. The standardized measures are used in the regression modeling describe below as dependent variables to capture ESR disclosure (ESR_Score). The generic form of the regression model is as follows:

$$ESR_Score = i_1 + a_1 DSAC + a_2 AUD + a_3 SR + a_4 OWN + a_5 SR + a_6 Q + a_7 SIZE + a_8 LEV + a_9 SECTOR + \varepsilon_1 \tag{Eq. 1}$$

Where:

- ESR_Score = A measure of a company’s ESR disclosure index for firm j . The index ranges from 0 to 1.
- SAC = The identity of whether a company is a shariah-approved one, measured as binary variable coded 1 if a company is shariah approved company and 0 otherwise.
- AUD = The size of the external auditor, measured as a binary variable coded 1 if firm i is audited by a Big 4 auditor in the year 2013 and 0 otherwise.
- SR = The identity of whether a company publishes a sustainability report, measured as a binary variable if the company publish sustainability report and 0 otherwise.
- OWN = The ownership concentration, which is a ratio of ordinary shares owned by the largest shareholders to total shares issued at year end.
- LOG(Q) = Firm performance at the end of 2013, represented by Tobin’s Q and measured as the sum of total assets plus the market value of

		equity less book value of equity, over total assets.
SIZE	=	Log of total assets at the end of 2013.
LEV	=	Leverage at the end of 2013, which is the ratio of debt to equity at the end of 2013.
SECTOR	=	Dummy variables representing the sector; coded 1 for manufacture companies and coded 0 for mining companies.

4. Empirical Results and Discussions

4.1 Descriptive Statistics

The overall index of ESR disclosure ranges from 0 to 1. Table 4.1 below shows that the *ESR_SCORE* for all companies ranges from the minimum of 0.10 to the maximum of 0.83, with a mean of 0.28. The higher mean is for Non-SAC, i.e., the non-shariah-approved companies (0.32), whereas the lower mean is for SAC, i.e., the shariah-approved companies (0.24). Except for the Non-SAC, the average score for environmental responsibility disclosure is higher than the social responsibility disclosure. This finding indicates that companies put more emphasis on disclosing information related to environmental responsibility, rather than the social responsibility information. As for the Non-SAC, the mean of social responsibility disclosure is higher than that of environmental responsibility disclosure. This result indicates that Non-SAC seems to care more about social accountability than the environmental information, whereas for the SAC, they tend to care more about their environmental responsibility. Concerning the social responsibility information, both groups of the company (i.e., the SAC and Non-SAC) provide greater disclosure of “labor practices and decent work” compared to other items of disclosure.

Further, while the findings show that Non-SAC provides greater disclosure for all items of ESR, the maximum value of SAC’s ESR disclosure is higher (0.83) than that of the Non-SAC (0.76). The maximum values for all ESR categories for SAC are higher or at least similar with those of the Non-SAC, except for labor practices and decent work (SAC=0.81, Non-SAC=0.94). To further elaborate the

results, Table 4.2 is presented to show the five highest items of ESR disclosure while Table 4.3 shows the five lowest items of disclosure.

Table 4.1

Overall Disclosure of Environmental and Social Responsibility Information

Categories	All Companies				SAC				Non-SAC			
	Mean	Min	Max	SD	Mean	Min	Max	SD	Mean	Min	Max	SD
Environmental Responsibility	0.29	0.03	0.82	0.24	0.28	0.03	0.82	0.24	0.32	0.03	0.76	0.24
Social Responsibility	0.28	0.00	0.83	0.29	0.25	0.00	0.83	0.27	0.33	0.00	0.83	0.31
Labor Practices and Decent Work	0.34	0.00	0.94	0.27	0.31	0.00	0.81	0.31	0.39	0.00	0.94	0.38
Human Rights	0.21	0.00	0.83	0.27	0.18	0.00	0.83	0.26	0.27	0.00	0.83	0.28
Society	0.26	0.00	0.82	0.27	0.24	0.00	0.82	0.26	0.31	0.00	0.73	0.28
Product Responsibility	0.28	0.00	1.00	0.33	0.25	0.00	1.00	0.32	0.33	0.00	1.00	0.35
Environmental & Social Responsibility	0.28	0.10	0.83	0.26	0.25	0.02	0.83	0.24	0.32	0.00	0.76	0.28

Table 4.2

Five Highest Items of ESR Disclosure

No	All Companies (%)	SAC (%)	Non-SAC (%)
1.	The material used by weight or volume (98.8)	Material used by weight or volume (98.0)	Material used by weight or volume (100.0)
2.	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity (78.8)	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity (76.5)	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity (82.8)
3.	Extent of impact mitigation of environmental impacts of products and services (70.0)	Extent of impact mitigation of the environmental effects of products and services (72.6)	Extent of impact mitigation of the environmental effects of products and services (65.5)
4.	The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations (63.8)	The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations (62.8)	The monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations (65.5)
5.	Total environmental protection expenditures and investments by type (51.3)	Total weight of waste by type and disposal method (51.0)	Total environmental protection expenditures and investments by type (55.2)

As shown in Table 4.2, the five highest disclosure items are similar between SAC and Non-SAC, except for the last item. SAC tend to have more emphasis on the total weight of waste by type and disposal method, whereas Non-SAC has more

focus on total expenditures and investments related to environmental protection by type.

Table 4.3
Five Lowest Items of SER Disclosure

No.	All Companies (%)	SAC (%)	Non-SAC (%)
1.	Other indirect greenhouse gas (GHG) emissions (scope 3) (6.25)	Significant actual and potential negative environmental impacts in the supply chain and actions taken (1.96)	Return to work and retention rates after parental leave, by gender (3.45)
2.	Return to work and retention rates after parental leave, by gender (6.25)	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken (1.96)	Energy indirect greenhouse gas (GHG) emissions (scope 2) (6.90)
3.	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken (7.50)	Number of grievances about labor practices filed, addressed, and resolved through formal grievances mechanisms (1.96)	NOx, SOx, and other significant air emissions (6.90)
4.	Significant actual and potential negative environmental impacts in the supply chain and actions taken (10.0)	Significant actual and potential negative impacts on society in the supply chain and actions are taken (3.92)	Confirmed incidents of corruption and actions taken (6.90)
5.	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measure to contribute to the elimination of all forms of forced or compulsory labor (10.0)	Percentage of new suppliers that were screened using labor practices criteria (5.88)	Energy consumption outside of the organization (10.34)

Table 4.4 below reveals that there is a large variation in *ESR_SCORE*. The scores range from a minimum of 0.029 to the maximum of 0.765, with the mean of 0.293. This means that there is no single company which achieves 1.00 (100%) disclosure. The disclosure level is quite low (29.3%).

Table 4.4
Descriptive Statistics of Dependent and Independent Variables

	Mean	Median	Maximum	Minimum	Std. Dev.
ESR_Score	0.293	0.235	0.765	0.029	0.239
Performance (Q)	1.997	1.270	7.249	0.339	1.803
Ownership concentration (OWN)	0.512	0.519	0.982	0.006	0.234
Leverage (LEV)	0.480	0.333	2.688	-3.959	0.959
Size	1,152,876	408,947.2	6,875,270	4,226.852	1,720,119

4.2. Results of Hypotheses Testing

This study utilizes a multiple linear regression to examine the relationship between SAC and ESR disclosure. Table 4.5 reports the results of estimating Equation (1) that models the ESR Score as a function of SAC, type of auditor external, existence of sustainability report, and control variables.

The assessment on the normality assumption shows that the residual was normally distributed with 3,079 of Jacque Bera value (prob. 0,214). Accordingly, there is no serious threat of multicollinearity. The data was trimmed (less than 5%) due to some outliers regarding firms' performance and leverage. However, the assessment reveals heteroscedasticity problem (prob. chi-square obs*R-squared 0,0563). Accordingly, we perform White's Heteroscedasticity-Consistent Variance and Standard Error³. Table 4.5 reports the results of the regression analysis.

³ We use Eviews 8. The output of the model, before and after heteroscedasticity correction are presented in the appendix.

Table 4.5

Result of the Regression Analysis on the Association between ESR Disclosure and Firm-Specific Characteristics (N=80)

$$ESR\ Score = i_1 + a_1 SAC + a_2 AUD + a_3 SR + a_4 OWNCON + a_5 Q + a_6 SIZE + a_8 LEV + a_9 SECTOR + \varepsilon_1$$

Variable	Exp. Sign	Coef.	SE	t-stat	Prob.
Constant		2.214	1.277	1.733*	0.087
Shariah-approved company (SAC)	+	-0.252	0.192	-1.305*	0.093
Auditor external (AUD)	+	0.242	0.225	1.072	0.144
Sustainability report (SR)	+	1.042	0.421	2.469***	0.008
Ownership concentration (OWN)	-	0.0238	0.323	0.074	0.942
Performance (Q)	+	-0.148	0.101	-1.461	0.148
Size (SIZE)	+	0.118	0.094	1.257	0.213
Leverage (LEV)	-	-0.042	0.046	-0.920	0.361
Sector	-	-2.211	0.224	-9.855***	0.000
R-squared					0.723
Adjusted R-squared					0.692
F-statistic					23.196
Prob. (F-statistic)					p≤0.001

***, ** and * indicate one-tailed (for predicted) and two-tailed (non-predicted) significance at 1%, 5%, and 10% levels. Where: ESR-environmental and social responsibility disclosure measured with disclosure index; SAC-shariah approved companies measured with dummy variable of 1 if the company is a SAC and 0 otherwise; AUD-type of auditor external measured with dummy variable of 1 if the company is audited by Big 4 auditor and 0 otherwise. SR-sustainability report measured with dummy variable of 1 if the company is published sustainability report and 0 otherwise; OWN-ownership concentration measured by percentage of ownership by the company's largest shareholder;

Q-financial performance measured with Tobin's Q; Size measured with log of total asset; and Leverage measured with debt to equity ratio; Sector measured with dummy variable of 1 for manufacture companies and 0 for mining companies.

The result shows that Shariah-approved company (SAC) has a negative and significant influence to ESR Score (prob. 0,093). This result is following the descriptive statistic where Non-SAC provides more disclosure about environmental and social responsibility information in their reports. Therefore H_1 is not supported. Table 4.5 indicates that there is no significant influence of auditor external (AUD) to ESR Score (prob. = 0,144). Thus H_2 is not supported. This result shows that there is no statistically significant difference of environmental and social responsibility disclosure level between companies audited by Big 4 auditor and companies audited by non-Big 4 auditor. This could be due to the higher focus of external auditor on the mandatory aspects of financial reporting, rather than on the voluntary aspect. The disclosure of environmental and social responsibility in Indonesia is still involuntary phase. No standard rules about how companies should be responsible for environmental and social and how they should disclose it in their reports. Therefore auditor tends to have less emphasis on the ESR.

Further, the result shows that the sustainability report (SR) has a positive and significant influence to ESR Score (prob. 0,008). This finding suggests that companies which voluntarily publish sustainability reports tend to disclose more about environmental and social responsibility information in their voluntary report. Therefore H_3 is supported.

Concerning the control variables, we find a significantly negative relation between firms' sector and ESR disclosure, suggesting that firms in mining industry tend to disclose more information on ESR. However, other control variables show no significant association with the level of ESR disclosures.

5. Concluding Remarks

The primary objective of this study is to investigate the extent of environmental and social reporting (ESR) in the annual report of Shariah-Approved Companies (SAC) and Non-Shariah-Approved Companies (Non-SAC) in the Indonesian environmental-sensitive sectors. Further, it also seeks to examine whether there are any differences in the disclosure strategy between SAC and Non-

SAC. The findings reveal some differences in the disclosure strategy between the two groups of companies. Specifically, SAC tends to emphasize the disclosure in environmental responsibility information, whereas Non-SAC tends to disclose more about social responsibility information. Further, companies which publish a sustainability report in addition to their annual reports tend to disclose more about environmental and social responsibility information in both groups (i.e., SAC and Non-SAC). However, we do not find the role of external auditor (i.e., Big-4 vs. Non-Big-4) in encouraging environmental and social responsibility disclosures by their clients.

The findings of this research imply for policymakers, particularly in the environmentally-sensitive industry, in articulating better ESR disclosure requirements for listed companies. Further, it provides feedback to investors and managers, particularly for shariah-approved companies (SAC), on the lack of transparency regarding environmental and social responsibility information of SAC in Indonesia.

This research has several limitations. First, this study is only focusing on Indonesian listed firms, in manufacturing and mining sector which could limit the generalizability of the findings. Future studies could include multiple countries to enable cross-country comparison and increase the generalizability of the results. Second, this study only covers a one-year period of data. Future research could cover a multi-year period, to further investigate whether there are any improvements in the level of transparency on firms' ESR disclosures.

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