Pertanika Proceedings 1 (1): 35 - 39 (2025)

PERTANIKA JOURNALS

PERTANIKA PROCEEDINGS

Journal homepage: http://www.pertanika.upm.edu.my/

Director-led Sustainability Communication in Companies: A Content Analysis of Director Forewords in SRI-KEHATI Indexed Companies' 2023 Sustainability Reports

Maria Advenita Gita Elmada[1]* and Angga Ariestya[2]

[1]*Universitas Multimedia Nusantara, 15810, Indonesia*
[2]*Charles University, 11001, Czech Republic*

ABSTRACT

Corporate sustainability has become a critical concern for businesses striving to demonstrate their social and environmental responsibility. One way to communicate corporate sustainability is through sustainability reports, which often begin with guidance from the company's director. This study investigates the sustainability communication strategies that companies employ, focusing on the directors' forewords in their sustainability reports. These companies are listed on the SRI-KEHATI index, a stock index that evaluates the performance of companies in Indonesia based on their environmental, social, and governance. This research will use quantitative content analysis to identify and categorise sustainability themes based on Landrum's framework, encompassing economic orientation, business orientation, systemic change, and regenerative and co-evolutionary approaches. The study aims to identify the dominant themes in corporate sustainability communication, potentially emphasising economic and business aspects while exploring the extent of awareness regarding broader environmental issues.

Keywords: Corporate communication, corporate sustainability, ESG, sustainability communication, sustainability report

INTRODUCTION

In recent decades, there has been a significant rise in non-financial reporting, including sustainability reports, attracting attention from various institutions and organisations. This comprehensive form of corporate reporting has become increasingly prevalent (Herzig & Schaltegger, 2011). These reports improve public relations, credibility, investor relations, financial

ARTICLE INFO

Article history:
Received: 09 January 2025
Published: 17 February 2025

DOI: https://doi.org/10.47836/pp.1.1.008

E-mail addresses:
maria.advenita@umn.ac.id (Maria Advenita Gita Elmada)
angga.ariestya@fsv.cuni.cz (Angga Ariestya)
* Corresponding author

© Universiti Putra Malaysia Press

disclosure, stakeholder perception, and company image, increasing the company's success and reputation (Osman & Kadri, 2022).

In Indonesia, the trend of sustainability disclosure, such as sustainability reports, is generally low; however, the quality is increasing yearly (Harymawan et al., 2020). Indonesia is now in the initial phases of implementing disclosure, as it's required for financial service institutions, issuers, and public enterprises by the Financial Service Authority Regulation Number 51/POJK.03/2017 (Utami et al., 2024).

As companies are encouraged to adopt sustainability reporting as a key mechanism for engaging with stakeholders (Egbunike et al., 2018), understanding the message sent by the corporation through their sustainability report is becoming essential. The director forewords are among the important components of these reports because they offer a high-level overview of the business' sustainability plan, demonstrating the leadership's commitment and aligning with organisational objectives.

Despite their significance, there is a gap in understanding how directors' forewords communicate sustainability strategies and how they influence business commitment to environmental, social, and governance (ESG) principles. ESG companies are thought to have a necessary concern for the environment and society by developing standards for routine operations and possible investment opportunities (Rath et al., 2020). This study aims to fill this gap by examining how these forewords communicate sustainability efforts, providing insights to help businesses improve their communication techniques, and showing the commitment to ESG.

MATERIALS AND METHODS

This research will analyse the director's foreword in a sustainability report published in 2023 by 26 SRI-KEHATI-indexed companies. The SRI-KEHATI index includes companies that have implemented Sustainable and Responsible Investment (SRI) principles as well as ESG standards (Yayasan KEHATI, n.d.). The index's performance is undoubtedly good, and it can compete with other major exchange indices (Akbar & Murdiyanto, 2023).

The methodology used in this research is content analysis, which, according to Landrum and Ohsowski (2018), has been used by others to study corporate sustainability and Corporate Social Responsibility (CSR) reports. It is a type of textual analysis that studies the messages or characteristics of a text to interpret meaning. In this study, content analysis of director foreword from companies' sustainability reports is a technique for gathering data. Guthrie and Abeysekera (2006) say that it involves codifying information into pre-defined categories to derive patterns in the presentation and reporting of information.

This research will identify and categorise sustainability themes based on Landrum's framework: Compliance, business orientation, systemic change, regenerative, and co-evolutionary approaches using quantitative content analysis (Landrum & Ohsowski, 2018).

Each paragraph will be coded into a predetermined theme category to find the main theme of the director's foreword by counting the categories that appear most frequently in the document.

RESULTS AND DISCUSSION

The SRI-KEHATI index 2024 includes 26 companies. The list covers a wide range of industries, including mining, plantations (palm oil), automotive, banking, technology and media, food and beverage, cement, livestock and animal feed, infrastructure, pharmaceuticals, healthcare, telecommunications, consumer goods, and construction. The industries most represented on the list are banking, automotive, mining, and plantations.

The Sustainability Report has been analysed utilising several standards for their report. Most of them are using the Global Reporting Initiative (GRI) Standard. GRI is an independent international organisation that helps businesses and other organisations account for their impacts by providing a global common language for communicating those impacts (Global Reporting Initiative, n.d.). Most companies in this data also comply with the Peraturan Otoritas Jasa Keuangan (POJK) No. 51/POJK.03/2017 and Surat Edaran Otoritas Jasa Keuangan (SEOJK) No. 16/SEOJK.04/2021, which are national regulations in Indonesia that require listed companies to implement sustainable finance and follow technical guidelines for sustainability reporting. Besides the GRI, POJK, and SEOJK, several standards are being utilised based on different industrial standards for sustainability reporting.

Some key findings are interesting to point out based on the data collected, categorised, and analysed. First, the systemic theme is dominant. According to Landrum and Ohsowski, the systemic theme in stage 3 reflects intermediate sustainability. It means that firms work with others, integrating the full realm of sustainability activities, which are environmental, economic, and social, to address systemic change. In the systemic stage, the understanding of sustainability is about doing better, and the corporation begins to look externally in defining sustainability. There is an understanding that business is part of the larger industry, and to create systemic change, the corporation in the industry needs to work together as a community.

The theme absent from the director forewords from the 26 companies is co-evolutionary. This absence indicates that none of the companies are at the highest level of sustainability, where they view their operations as part of a symbiotic relationship with the natural world. Landrum and Ohsowski define the co-evolutionary as the highest stage, reflecting strong sustainability. In this stage, firms understand the place of humans, corporations, and societies in partnership with the natural world. The orientation of this stage is more to ecology, where the understanding of sustainability is that earth's beings are in a mutually enhancing and beneficial relationship.

There is variation across industries in the percentages of the themes. Certain industries, such as banking and automotive, tend to have higher systemic percentages. It somehow reflects the specific industry's challenges and the opportunity to integrate sustainability into their business model. However, in the mining industry, the themes are more diverse, with a higher occurrence of compliance and business-centred themes. It reflects the pressure from the regulation and the industry's environmental impact.

CONCLUSION

This research finds that the Indonesian companies listed in the SRI-KEHATI index 2024 tend to prioritise the economy and business-centred orientation in the director's foreword on their sustainability reports. It reflects the companies' primary focus on financial and operational performance in meeting social and environmental responsibilities. However, there is variation in the extent to which these companies integrate sustainability into their business practices, indicating their commitment to ESG principles, but at varying levels of depth.

On the other hand, the study also revealed that awareness or emphasis on broader environmental issues is still limited among these companies. This finding suggests that while these companies have recognised the importance of sustainability, there is still room to expand their focus to a more comprehensive sustainability approach.

This study provides important insights for other companies in developing their sustainability communication strategies by providing practical guidance to improve the effectiveness of such communications. In addition, this study contributes to the CSR communication and ESG literature by highlighting the importance of adopting a more holistic and integrative long-term sustainability strategy.

For future research, it is required to investigate whether the message expressed in the director's foreword is mirrored in the report and backed by adequate evidence. It is also necessary to ensure that the company's sustainability statement aligns with its sustainability practices.

ACKNOWLEDGEMENTS

The authors thank Universitas Multimedia Nusantara (UMN) through the Lembaga Penelitian dan Pengabdian kepada Masyarakat (LPPM) for their invaluable support and resources, which contributed significantly to the completion of this research.

REFERENCES

Akbar, T., & Murdiyanto, E. (2023). Is sustainability report disclosure implemented properly? (A case study of companies listed in SRI-KEHATI index). *Jurnal Manajemen dan Inovasi*, *6*(1), 58–74. https://doi.org/10.15642/manova.v6i1.1067

Egbunike, C. F., Emudainohwo, O. B., Gunardi, A., Kurniasari, F., & Prihanto, J. J. N. (2018). Sustainability accounting practices and disclosure by multinational corporations in Nigeria. *Journal of Applied Economic Sciences*, *13*(3), 751–759.

Global Reporting Initiative. (n.d.). *About GRI*. GRI. https://www.globalreporting.org/about-gri/

Guthrie, J., & Abeysekera, I. (2006). Content analysis of social, environmental reporting: What is new? *Journal of Human Resource Costing and Accounting*, *10*(2), 114–126. https://doi.org/10.1108/14013380610703120

Harymawan, I., Putra, F. K. G., Agni, T. D. K., & Kamarudin, K. A. (2020). Sustainability report practices in Indonesia: Context, policy, and readability. *International Journal of Energy Economics and Policy*, *10*(3), 438–443. https://doi.org/10.32479/ijeep.8979

Herzig, C., & Schaltegger, S. (2011). Corporate sustainability reporting. In *Sustainability communication* (pp. 151–169). Springer. https://doi.org/10.1007/978-94-007-1697-1_14

Landrum, N. E., & Ohsowski, B. (2018). Identifying worldviews on corporate sustainability: A content analysis of corporate sustainability reports. *Business Strategy and the Environment*, *27*(1), 128–151. https://doi.org/10.1002/bse.1989

Osman, H., & Kadri, A. (2022). Compliance and rhetoric in sustainability reports published by a Malaysian plantation company. *Pertanika Journal of Social Sciences and Humanities*, *30*(4), 1895–1916. https://doi.org/10.47836/pjssh.30.4.22

Rath, C., Kurniasari, F., & Deo, M. (2020). CEO compensation and firm performance: The role of ESG transparency. *Indonesian Journal of Sustainability Accounting and Management*, *4*(2), 278-293. https://doi.org/10.28992/ijsam.v4i2.225

Utami, W., Setiany, E., Hidayah, N., & Azhar, Z. (2024). Sustainability reporting quality and corporate value: Indonesia and Malaysia context. *Journal of Law and Sustainable Development*, *12*(1), e2239. https://doi.org/10.55908/sdgs.v12i1.2239

Yayasan KEHATI. (n.d.). *Indeks saham SRI-KEHATI: Better investment, better living* [SRI-KEHATI stock index: Better investment, better living]. https://kehati.or.id/indeks-sri-kehati/