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STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING IN INDONESIA

Submitted by
Putu Agus Ardiana

Master of Accounting and Finance

A thesis submitted in total fulfilment of the requirements for the degree of
Doctor of Philosophy

Department of Accounting
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Durham, United Kingdom

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ABSTRACT

This research aims to understand the ways the preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting. This research seeks to understand the perceived role of stakeholder engagement in sustainability reporting and examines whether the report preparers decouple their stakeholder engagement disclosures from the actual practices. The neo-institutional theory is used to illuminate the companies' non-conformity responses to institutional influences.

This research utilises mixed methods by deploying questionnaires, sustainability reports and semi-structured interviews. The questionnaire survey was analysed using descriptive statistics. The interviews were conducted face-to-face and analysed using thematic analysis. Content analysis of stakeholder engagement disclosures was also undertaken on the 2007 to 2018 sustainability reports issued by the companies participating in the interviews.

The findings of this research reveal that the report preparers attempt to embed stakeholder engagement in the companies' sustainability reporting in response to coercive, normative and mimetic influences. However, stakeholder engagement is loosely embedded as a result of contextualising the Global Reporting Initiative (GRI)'s conception of stakeholder engagement into Indonesia's local contexts. Stakeholder engagement is perceived as having important roles in mandatory corporate social responsibility (CSR) programmes and materiality assessment to define the report content. External stakeholders are engaged more inclusively in the former whereas internal stakeholders take control of the latter.

It is not evident that the report preparers in Indonesia decouple stakeholder engagement disclosures from practices. However, the ways in which the companies practise their stakeholder engagement (means) deviate from the goals of stakeholder engagement suggested by the GRI's principles for defining the report content (ends), known as the means-ends decoupling. The report preparers in Indonesia accept the GRI's concept by meeting the suggested indicators, but unintentionally overlook the GRI's principles that are required to be implemented as a new institution, rather than intentionally avoiding them.

The main contribution of this research to the literature is that it provides insights into the need to embed stakeholder engagement in sustainability reporting in an integral way, including by translating the GRI's global conception into local context. This research also provides insights into the presumption that 'companies report the practice' of stakeholder engagement in sustainability reporting—as suggested by the GRI and the extant literature. Just because the companies report the practice (means) by making reference to the GRI, it does not necessarily follow that the companies have conformed to the goals of stakeholder engagement suggested by the GRI's principles for defining the report content (ends). Taking into full consideration Indonesia's politicoeconomic, sociocultural and legal contexts, which can be dissimilar to other local contexts, this research contributes to an understanding of decoupling, especially the means-ends decoupling, which tends to be unintentional in the companies' non-acquiescent response to institutional influences. The decoupling indicates that the report preparers consider the GRI's stakeholder engagement indicators as technical prescriptions leading to box-ticking activities, rather than being thoroughly understood and implemented as a new institution. Besides, this research offers a practical contribution in that the companies' sustainability reporting consultants could shepherd their clients' stakeholder engagement, guided by the GRI standards (previously called guidelines), to go beyond merely meeting the GRI indicators and producing 'nice to read' sustainability reports.

Keywords: Stakeholder engagement, sustainability reporting, neo-institutional theory, mixed methods, means-ends decoupling

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STATEMENT OF AUTHORSHIP

Except where reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from a thesis submitted for the award of any other degree or diploma.

No other person's work has been used without due acknowledgement in the main text of the thesis.

This thesis has not been submitted for the award of any degree or diploma in any other tertiary institution.

All research procedures reported in the thesis were approved by Durham University Business School's Ethics Committee.

Putu Agus Ardiana

4 February 2022

CHAPTER 1

INTRODUCTION

1.1. RESEARCH BACKGROUND

The objective of this research is to understand the ways the preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting. It seeks to understand the ways the global conception of stakeholder engagement in sustainability reporting are translated into the local context with reference to neo-institutional theory. The early stage of the theory assumes conformity, leading to isomorphic practices of stakeholder engagement (Contrafatto, 2014; Deephouse, 1996; DiMaggio and Powell, 1983). Isomorphism is defined as 'a process that forces one unit to conform to other units in the population that deal with similar situations' (DiMaggio and Powell, 1983: 1674). However, the further development of the theory does not hold that companies necessarily respond to institutional influences (Crilly et al., 2016; Oliver, 1991; Tashman et al., 2019). This research uses the further development of the theory (hereinafter referred to as the neo-institutional theory).

Under the neo-institutional theory lens, companies may perceive the role of stakeholder engagement in sustainability reporting differently from that outlined by sustainability reporting frameworks, such as the Global Reporting Initiative (GRI)'s Sustainability Reporting Standards (formerly Guidelines) (see GRI, 2013; GRI, 2016) and AA1000 Stakeholder Engagement Standard (AA1000SES) (see AccountAbility, 2015). Consequently, they may exhibit a non-conformity response by only following the formal structures of stakeholder engagement suggested by the reporting frameworks but with different

actual practices, so-called ‘decoupling’ (Boxenbaum and Jonsson, 2017; Heese, et al., 2016; Meyer and Rowan, 1977).

This research uses mixed methods with multiple data collection instruments, namely a questionnaire survey, sustainability report analysis, and semi-structured interviews. Bryman (2012) posits that mixed methods research places a relatively equal emphasis on the quantitative and qualitative inquiries. Mixed methods are used to uncover the possible non-conformity responses arising from translating the global conception of stakeholder engagement in sustainability reporting into Indonesia’s local context.

Indonesia has been experiencing substantial changes in blending traditional values with contemporary ones. The fall of President Soeharto in 1998, who had been in power for more than three decades, marked the end of an authoritarian regime leading to a long process of reform (Crouch, 2010). It is acknowledged that people now have more freedom to speak, can express their political views, and form organisations, including political parties – conditions that were severely restricted in the Soeharto era (Ghoshal, 2004). Being a democracy means that the country is now more open to different views, engages in more dialogue, and involves greater public participation (Manning and van Diermen, 2000; Pepinsky, 2009). Accordingly, Indonesia now has a dynamic sociocultural life in which, on the one hand, it is inevitably exposed to Western-contemporary thought but, on the other hand, it strives to preserve its Eastern-traditional values (Davidson and Henley, 2007).

Indonesia is a vast archipelago and has abundant natural resources along with a number of sustainability issues, such as poverty (Slikkerveer et al., 2019) and deforestation which threatens the survival of orangutans (BBC News, 2018a; Walden, 2019). The government of Indonesia requires companies carrying out business activities in fields related to natural resources to disclose their corporate social and environmental responsibilities in their annual reports, based on the Indonesia’s Corporation Law No. 40 of 2007. A number of

ministries (e.g., Ministry of State-Owned Enterprises, Ministry of Energy and Mineral Resources) impose regulations requiring companies to engage with relevant stakeholders when delivering corporate social responsibility (CSR) programmes and report them to the corresponding ministries (Arena et al., 2018; Qian et al., 2020). While companies comply with the mandatory ministerial CSR reporting – which to some extent overlap between one regulation to another (Bhinekawati, 2017; Sullivan et al., 2013) – several companies have practised sustainability reporting voluntarily with a broader range of audiences/report users (Liebman et al., 2019; Soleha, 2020). Companies in Indonesia may respond to global trends in sustainability reporting due to the economic and political interconnections through various international organisations and as a consequence of the country being a destination for, and an active player in, global investment (Chapple and Moon, 2005; Djajadikerta and Trireksani, 2012). A full consideration of Indonesia's politicoeconomic, sociocultural and legal contexts is set out in outlining and discussing the research findings.

A study by Gunawan (2010) finds an expectation gap in the voluntary sustainability reporting in Indonesia. It is a gap between the company's disclosed information and the important information that stakeholders expect to be included in the sustainability reports – similar to Adams' (2004) reporting-performance portrayal gap. More recently, Gunawan (2021) has reported that the gap continues to occur because companies in Indonesia are still prone to report positive information but disregard or obscure the negative one. The findings indicate that the stakeholders' information needs are not reflected in the sustainability reports. When managers take control of the process for defining report content – including the inclusion of stakeholder groups and the selection of sustainability topics – the sustainability information is likely to be compiled based on the report preparers' interests, not those of the stakeholders (Baker, 2010; Boiral et al., 2019a). This implies that stakeholder engagement is critical and

needs to be embedded in sustainability reporting to potentially narrow down the expectation gap.

The extant literature shows that the term sustainability reporting is used in the wider context of non-financial reporting or disclosures, such as triple bottom line reporting (Milne and Gray, 2013), CSR reporting (Amran and Haniffa, 2011), corporate social disclosure (CSD) (Hoang et al., 2018). For example, Hoang et al. (2018: 836), who studied the board diversity in Vietnamese CSDs, states, 'This study uses the social indicators section in the *GRI 3.1 framework* to measure *CSD*... Currently, the *GRI framework* is extensively used to assess and measure *sustainability reporting, including CSD*' (emphasis added). Henceforth, those terminologies refer to sustainability reporting and, to some extent, they are used interchangeably in this thesis.

This section has presented the background of the research by briefly contextualising sustainability reporting in Indonesia. Stakeholder engagement is critical and therefore needs to be embedded in sustainability reporting because it is likely able to narrow a gap between what the company discloses and what stakeholders expect to see from the disclosures. The remainder of this chapter is structured as follows. Section 1.2 outlines the research problem. Section 1.3 presents the research contributions. Section 1.4 outlines the structure of the thesis.

1.2. RESEARCH PROBLEM

Stakeholder engagement is paramount in sustainability reporting – as acknowledged by researchers (e.g., Beske et al., 2020; Fasan and Mio, 2017; Kaur and Lodhia, 2018; Puroila and Mäkelä, 2019) and by practitioners (Deloitte, 2014; EY, 2014; KPMG, 2015; PwC, 2018) – for at least three reasons. First, the time horizon of sustainability disclosures not only covers past activities and performance but also the future agenda – which should be

representative of the stakeholders' views or expectations (Jones et al., 2016; Manetti and Toccafondi, 2014; Puroila and Mäkelä, 2019). Second, the type of sustainability information is not only quantitative economic, social and environmental information but also qualitative information about these aspects – which should be based on stakeholders' views or expectations (Comyns et al., 2013; Joseph and Taplin, 2011). Third, stakeholder engagement facilitates the completeness of a sustainability report – i.e., a condition where the report provides balanced information in terms of favourable and unfavourable information on corporate sustainability issues (Adams, 2004; Hahn and Lülfs, 2014). Disclosing sustainability information in sustainability reports that are not based on stakeholder engagement is like delivering information to unidentified recipients for whom the information may be excessive but irrelevant and where the reporter is likely to obfuscate or exclude unfavourable information with the potential for reputational threat (Rinaldi et al., 2014).

Stakeholder engagement practised in a way in which relevant stakeholders are given opportunities to convey their sustainability views, are involved in decision-making processes that impact them, and allows them to co-determine sustainability topics to be disclosed in a sustainability report, is more likely to produce sustainability information that meets the stakeholders' expectations (see Bellucci et al., 2019; Kaur and Lodhia, 2018; Manetti, 2011). In particular, the GRI's materiality principle suggests the company engage with stakeholders in the materiality assessment by co-determining the topics that matter for both parties in defining the report content (GRI, 2013, 2016). However, Machado et al. (2021) found that 140 GRI-based sustainability reports in their study exhibit a lack of detailed information about how sustainability topics were co-determined by companies and their stakeholders, which compromise the transparency in sustainability reporting. Their study implies that stakeholder engagement does not only need to be practised but also disclosed in the sustainability report. This will help evidence the authenticity of the reporting process.

Embedding stakeholder engagement in sustainability reporting means that 'stakeholder engagement translates into disclosure' (AccountAbility, 2015; GRI, 2013, 2016; Kaur and Lodhia, 2018). GRI (2013, 2016) suggests that reporting organisations report to their engaged stakeholders, the basis used for identification and selection of those stakeholders, the approaches used for stakeholder engagement, the key topics arising from the stakeholder engagement, among other suggested stakeholder engagement disclosures that should be reflective of the actual practice. In a similar vein, AccountAbility (2015) states that stakeholder engagement should translate into disclosure. It suggests that all reporting organisations should have their actual practice of stakeholder engagement reflected in stakeholder engagement disclosure in sustainability report:

> The organisation should *publicly report* on the aggregate of *its engagement activities* together with overall outcomes and impact, to show the scope and breadth of its outreach, and to demonstrate how its engagements contribute value to its strategy and operations. Organisations should *integrate reporting on stakeholder engagement* with appropriate other forms of public organisational reporting (e.g., *sustainability-related reports*, annual or financial reports, website reporting, social media reporting). Reporting on stakeholder engagement may include: stakeholder groups engaged; approach to stakeholder engagement and methods used; frequency of engagement; primary issues and concerns raised through engagement; organisation response to the engagement outcomes (p. 32, emphasis added).

The presumption that 'stakeholder engagement translates into disclosure' is found in empirical studies. For example, Manetti (2011) studied 174 sustainability reports prepared in English, Spanish and Portuguese based on GRI Guidelines 3.0 with A+ GRI checked. In the study by Manetti (2011), what the company practices with regard to stakeholder engagement is assumed to be reported and what the company reports on stakeholder engagement is assumed to have been practiced. Likewise, Midin et al. (2017) seek to investigate the extent of stakeholder engagement disclosures published on 108 Malaysian local authorities' websites as of July 2014. The content analysis laid out in their study reveals that coercive local government

programmes encourage local authorities to disclose their stakeholder engagement. Stakeholder engagement disclosure as a unit of analysis in their study suggests that the stakeholder engagement is assumed to have been translated into disclosure. The stakeholder engagement disclosure from the translation of actual practices should also be tightly coupled with information on sustainability performance rather than being viewed as an independent disclosure in the sustainability report that has no/little use in communicating sustainability information (Bradford et al., 2017).

Stakeholder engagement needs also to be embedded in the company's strategy, governance and operations (AccountAbility, 2015). 'The organisation shall *integrate stakeholder engagement into governance*, structure and relevant decision-making processes… all relevant policies and/or processes for *strategy* development… *operational* management and systems' (pp. 12-13, emphasis added). An empirical study by Mason and Simmons (2014) found that stakeholder engagement in the peripheral CSR programmes – that are not embedded in the company's strategy, governance and operations – tends to be rhetoric, which is closely associated with symbolic stakeholder engagement (Roberts, 2003). Embedding stakeholder engagement in sustainability reporting also means that the practice needs to be in accordance with the principles for defining report content (GRI, 2013, 2016). A study by Moratis and Brandt (2017: 312) found that 'while SE [stakeholder engagement] seems common practice, many firms are failing to provide full disclosure on how stakeholders have been engaged in defining report content'.

The global conception of stakeholder engagement in sustainability reporting introduced by the sustainability reporting frameworks (AccountAbility, 2015; GRI, 2013, 2016) needs to be embedded by translating it into local contexts. Such translation has the consequence that the perceived role, hence, the practice of stakeholder engagement in sustainability reporting, is possibly dissimilar to one or more local contexts (Gilbert et al.,

2011). For example, Amran and Ooi (2014) posit that media coverage and non-governmental organisation (NGO) activism play an important role in 'shaping stakeholders' perceptions toward businesses' and 'making a company behave in a responsible way' (p. 39). They provide an example that 'Shell reversed their plan to dispose of the Brent Spar oil platform at sea after the NGO Greenpeace initiated protests' (p. 39). Shell's response to the NGO's protests is dissimilar to the response of a Bangladeshi multinational company (MNC) to anti-tobacco activism in a study by Belal and Owen (2015). Belal and Owen (2015) reveal that the company strived to reduce the importance of the issue (De Villiers and van Staden, 2006) by reducing or even eliminating disclosures with regard to the anti-tobacco activism in its annual report and website.

The translation of the global conception into local contexts may also be different from the intended practice by the sustainability reporting frameworks (AccountAbility, 2015; GRI, 2013, 2016). For example, GRI suggests that companies engage with suppliers and report if they 'have significant risk of incidents of child labour' (GRI, 2013: 72). The GRI's global conception views that child labour is an unacceptable practice. However, in Cameroon, as reported by Wijen (2014), farmers do not consider the phenomenon in question to be child labour but, instead, it is considered to be 'household chores children do for their parents' (p. 312).

In a voluntary setting, companies may or may not decide to undertake sustainability reporting for various reasons (Bellucci and Manetti, 2019; Stubbs et al., 2013). If the report preparers perceive an increasing demand for complete sustainability reports as a coercive institutional influence – with inherent sanctions threatening corporate business continuity – they are more likely to practise and report stakeholder engagement in their reports, as guided by sustainability reporting frameworks (Midin et al., 2017). Otherwise, companies might only follow the formal structure of stakeholder engagement disclosures while deviating the practice

from the guidance provided by the reporting frameworks, so-called decoupling (Boxenbaum and Jonsson, 2017; Meyer and Rowan, 1977).

Decoupling stakeholder engagement disclosure from practice reflects 'symbolic conformity' (Jamali, 2010: 617), which disavows the presumption that 'stakeholder engagement translates into disclosure' (Kaur and Lodhia, 2018; Moratis and Brandt, 2017; Rinaldi et al., 2014). Decoupling the disclosure from the practice of stakeholder engagement is contrary to the expectation of sustainability reporting frameworks in the implementation of *stakeholder inclusiveness* in the *sustainability context*, including in the *materiality* assessment process, to produce *complete* sustainability reports (see the principles for defining report content from GRI, 2013, 2016).

As postulated by Meyer and Rowan (1977: 340-341), 'institutionalised products, services, techniques, policies, and programmes function as powerful *myths*, and many organisations adopt them *ceremonially*. But *conformity* to institutionalised rules often *conflicts* sharply with *efficiency criteria* ... [Therefore,] to maintain *ceremonial conformity*, organisations that reflect institutional rules tend to *buffer* their formal structures from the uncertainties of technical activities by becoming *loosely coupled, building gaps between their formal structures and actual work activities*' (emphasis added). Puroila and Mäkelä (2019) support this proposition, in that disclosures on material sustainability topics in the sustainability reports they were studying seemed to be presented in overly technical ways when meeting disclosure indicators outlined by the institutionalised sustainability reporting frameworks. In this way, companies may ceremonially meet the formal structure of reporting, but such overly technical disclosures do not reflect the pluralism of sustainability views among diverse stakeholders in defining the report contents.

Kaur and Lodhia (2018) analysed 523 stakeholder engagement disclosures prepared by 23 Australian local councils and highlight that 'it was possible that some councils

were undertaking stakeholder engagement extensively but not disclosing their activities in reports' (p. 346). This implies that stakeholder engagement disclosure in sustainability report potentially does not reflect the actual practice. In other words, the reporting organisations potentially decouple (Boxenbaum and Jonsson, 2017; Meyer and Rowan, 1977) the stakeholder engagement disclosure from the actual practice. This is likely because the preparers of sustainability reports are not aware of the role of stakeholder engagement in sustainability reporting. As acknowledged by Kaur and Lodhia (2018: 346), 'prior literature highlights a lack of managerial perceptions on effective stakeholder engagement practices'.

This research responds to a call for research in the field of stakeholder engagement in sustainability reporting in developing countries (Belal, 2016; Davila et al., 2018; Kaur and Lodhia, 2019; Lodhia and Sharma, 2019; O'Rourke, 2004; Zaini et al., 2018) which have rich and dynamic political, economic and sociocultural contexts (Barkema et al., 2015; Foo, 2007; Tilt, 2016). A study by Cahaya and Hervina (2019) suggests that GRI is a widely used sustainability reporting framework in Indonesia. It is a source of normative influence in Indonesia's voluntary sustainability reporting (Fitriasari and Kawahara, 2018). However, how companies in Indonesia embed stakeholder engagement in sustainability reporting by translating the GRI's global conception into Indonesia's local context is overlooked in these studies. Besides, empirical studies by Arena et al. (2018) and Qian et al. (2020) reveal that CSR regulations in Indonesia exert coercive institutional influence on CSR/sustainability reporting. All the ministerial CSR regulations require stakeholder engagement when delivering the CSR programmes but there is no requirement for stakeholder engagement in the report preparation process. Qian et al. (2020) find that companies in Indonesia have responded to three CSR regulations at the same time. A study by Waagstein (2011: 459) states that 'poor legal enforcement' and 'excessive overlap among different laws' in CSR in Indonesia result in 'legal uncertainties' in the country. Waagstein's (2011) research findings imply the possible non-

acquiescent response to the multiple and overlapping CSR regulations – which is overlooked in her study. In the case of conflicting CSR regulations with lack of punishments for non-compliance, a study by Luo et al. (2017) reveals that companies in China decouple their CSR disclosures from the actual practices.

The literature on decoupling is still in its infancy in the context of sustainability reporting in developing countries (see Graafland and Smid, 2019; Jamali, 2010; Tashman et al., 2019), particularly in Indonesia. This is not to mention the perceived role of stakeholder engagement by the report preparers in Indonesia as the consequence of translating the global conception into Indonesia's local context. Therefore, the main research question is '**How do preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting?**'. This main research question is broken down into two research questions as follows:

RQ1: How do the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement in sustainability reporting?

RQ2: Do the preparers of sustainability reports in Indonesia decouple stakeholder engagement disclosure from practice in their sustainability reporting?

The main research question regarding embedding stakeholder engagement in sustainability reporting is critical because sustainability reporting tends to involve cherry-picking (i.e., selecting favourable information and discarding the unfavourable sort) when stakeholder engagement is not embedded in the reporting (Bebbington et al., 2012; Dumay et al., 2010; Gray and Milne, 2002; Unerman and O'Dwyer, 2007). In the absence of stakeholder engagement, the reported sustainability information does not meet the expectation of stakeholders about the company's sustainability performance (known as a reporting-performance portrayal gap), hence, the company is unable to produce a complete sustainability report (Adams, 2004). The expectation gap in sustainability reporting is reported in a plethora

of studies (e.g., Deegan and Rankin, 1999 in Australia; Gunawan, 2010, 2021 in Indonesia; Mitchell and Hill, 2010 in South Africa; Parvez et al., 2019 in multiple cities in the Carbon Disclosure Project or CDP). The degree of stakeholder inclusiveness and participation in defining report content is critical to the mitigation of the cherry-picking approach and narrow down the expectation gap (Machado et al., 2021). Inclusive and participative stakeholder engagement potentially results in relevant information that matters for stakeholders and meets their expectations (AccountAbility, 2015; Adams, 2004; GRI, 2013; GRI, 2016; Manetti and Toccafondi, 2014; Melloni et al., 2017; Pedersen, 2006; Puroila and Mäkelä, 2019).

Midin et al. (2017) utilise the early stage of the neo-institutional theory to explain why more detailed stakeholder engagement disclosure is found along with local government programmes-related information in 108 Malaysian local councils' websites. The study reveals that coercive nature of the local government programmes has triggered them to comply with the disclosure requirements. The theory used in their study explains that local government programmes exert coercive influences leading to isomorphic practices of stakeholder engagement disclosure in websites by Malaysian local councils. The theory suggests that organisations perceive institutional influences (in the form of coercive, normative and mimetic influences) as 'rationalised myths in society about what constitutes a proper organisation' that must be obeyed 'as solutions' to organisational problems (Boxenbaum and Jonsson, 2017: 77). When more organisations accept these socially constructed norms, 'they become more deeply institutionalized, which subsequently leads to institutional isomorphism' (Boxenbaum and Jonsson, 2017: 77). In other words, the theory assumes conformity to institutional influences leading to similarity in practice across organisations.

Under the further development of the neo-institutional theory lens, it is possible that organisations show non-conformity to stakeholder engagement standards/guidelines, e.g., AA1000SES (AccountAbility, 2015) and GRI standards (previously called guidelines) (GRI,

2013, 2016). The standards/guidelines have been widely used by various organisations across the globe – implying that they are perceived as a socially constructed norm about what constitutes the global conception of stakeholder engagement in sustainability reporting. However, as suggested by Meyer and Rowan (1977), the willingness of organisations to comply with the norm potentially contradicts the organisational objective to promote efficiency. In response, organisations are likely to conform symbolically to the norm by box-ticking stakeholder engagement disclosure indicators but practise it differently to meet the organisational efficiency strategies – hence, companies potentially decouple stakeholder engagement disclosure from the actual practice (De Villiers and Alexander, 2014; Jamali, 2010). The neo-institutional theory is able to illuminate various organisational responses to institutional influences (Oliver, 1991), including the non-conformity which cannot be explained by traditional institutional theory.

A study conducted by Cooper et al. (2014), on mandated stakeholder engagement in the context of the accreditation process for business schools, offers distinctive insight when the study is contextualised in voluntary sustainability reporting. Neo-institutional theory is used in their study to illuminate how exogenous institutional influence in the form of an accreditation process for business schools may bring about change to stakeholder engagement, ethics, social responsibility, and sustainability. Their case study at Aston Business School shows that accreditation is voluntary in the sense that business schools may decide to take it or leave it – and Aston decided to take it. For business schools seeking accreditation, stakeholder engagement is mandatory, with an inherent sanction that non-compliance would result in an application for accreditation being unsuccessful. Considering the risk, the accreditation process acts as a coercive institutional influence on business schools, such that they are likely to conform to the accreditation bodies' requirements.

Outside the accreditation process, despite the utmost importance of stakeholder engagement in sustainability reporting (Bellucci and Manetti, 2019; Thomson and Bebbington, 2005) there is no sanction for it being purely symbolic. Indeed, stakeholder engagement in the context of voluntary corporate non-financial reporting tends to be normative, rather than coercive. As a result, while some companies that decide to undertake sustainability reporting may genuinely practise and report stakeholder engagement, others may decouple stakeholder engagement from sustainability reporting, by following only the formal structure of stakeholder engagement disclosures (Boxenbaum and Jonsson, 2017). They may practise it differently and, to some extent, may deviate from the guidance provided by sustainability reporting frameworks (Graafland and Smid, 2019; Jamali, 2010).

Empirical studies using neo-institutional theory discussed earlier provide insights about the possible responses beyond conforming to institutional influences which usually leads to isomorphic practices. The perceived role of stakeholder engagement in sustainability reporting in one local context may be found dissimilar to another local context or the global conception (Gilbert et al., 2011). The theory is able to illuminate the possible non-acquiescent response arising from translating the global conception of stakeholder engagement in sustainability reporting into a local context (Crilly et al., 2016; Oliver, 1991; Tashman et al., 2019), including Indonesia's local context.

Since the sustainability reporting frameworks (e.g., AccountAbility, 2015; GRI, 2013, 2016) only provide a global conception to guide companies to practise stakeholder engagement and disclose the practice in their sustainability reports, embedding stakeholder engagement in sustainability reporting by translating the global conception into local contexts is paramount in the context of developing countries (Davila et al., 2018; Kaur and Lodhia, 2019; Lodhia and Sharma, 2019), including in Indonesia. Being the destination for the global investment and an active player of international trades, Indonesia is open to new global

perspectives while preserving its local values (Davidson and Henley, 2007). The growing democratisation in Indonesia enables companies to foster stakeholder engagement in sustainability reporting (Ghoshal, 2004; Törnquist, 2013). Besides, CSR regulations mandate companies in Indonesia to engage with their stakeholders in their CSR programmes but it is not mandated in preparing the report (Arena et al., 2018; Qian et al., 2020). From this, it is worthwhile to understand the ways the report preparers in Indonesia embed the global conception of stakeholder engagement in sustainability reporting into the country's local context. Embedding stakeholder engagement in sustainability reporting potentially narrows the gap between what stakeholders expect to see in sustainability report and what companies present in the report, as found in Gunawan's (2010, 2021) study in Indonesia.

By taking Indonesia's politicoeconomic, sociocultural and legal contexts into consideration, the perceived role of stakeholder engagement in sustainability reporting in Indonesia is possibly dissimilar to other local contexts, and also to the global conception (Gilbert et al., 2011). The ways Indonesian companies practise stakeholder engagement may deviate from their stakeholder engagement disclosure or the intended practice by the sustainability reporting frameworks, known as decoupling, under the neo-institutional theory perspective (Behnam and MacLean, 2011; Bromley and Powell, 2012; Jamali, 2010; Wijen, 2014). From this, it is worthwhile understanding the perceived role of stakeholder engagement in sustainability reporting by the report preparers in Indonesia and ascertain whether they decouple stakeholder engagement disclosures from actual practices.

Prior research in the field of stakeholder engagement in sustainability reporting has used a single research method, either a survey (O'Dwyer et al., 2005; Thoradeniya et al., 2015), document observation (Beske et al., 2020; Khalid et al., 2019; Puroila and Mäkelä, 2019), or interviews (Greco et al., 2015; Phiri et al., 2019). Beske et al. (2020) and Puroila and Mäkelä (2019), for example, rely on corporate non-financial reports as the only data source to analyse

stakeholder engagement in determining material topics in the reports. Consequently, data analysis is undertaken based on an assumption that stakeholder engagement disclosure in the report fully reflects the actual practice. Beske et al. (2020) acknowledge that the reports being studied lack detailed information about the actual practice of materiality assessment. From this, solely conducting document analysis is unable to explore the actual practice.

In order to mitigate the weakness of a sustainability report as a sole source of data, Kaur and Lodhia (2018) use interviews in addition to document analysis to collect empirical evidence about the actual practice of stakeholder engagement in three Australian local councils. In a similar vein, Adams and Frost (2006a) use a postal questionnaire survey and interviews in their study about the use of a corporate website as a medium of stakeholder engagement. Adams and Frost (2006a) highlight '... a postal questionnaire [is undertaken] to ascertain [corporate website managers'] opinions... interviews [are] undertaken to allow a more in-depth exploration of issues arising from the postal questionnaire'. Therefore, there is potential use of a research approach that utilises triangulation of data from multiple collection instruments by using a combination of survey, document observation and interview (Bell et al., 2019; Miles et al., 2019).

This section has outlined the research problem by discussing the research gaps and formulating research questions. There is a paucity of literature on the ways the report preparers in Indonesia embed the global conception of stakeholder engagement in their sustainability reporting's local context. The perceived role of stakeholder engagement in sustainability reporting in Indonesia's local context may be dissimilar to the global conception as a result of a translation process. The translation may also have the consequence of there being a non-conformity response in the form of decoupling stakeholder engagement disclosure from the actual practice. The next section presents research contributions by elucidating the significance of this research.

1.3. RESEARCH CONTRIBUTIONS

This research contributes to the literature by providing insights into the ways companies embed their stakeholder engagement in sustainability reporting. Prior studies view the embeddedness of stakeholder engagement in sustainability reporting fragmentally (e.g., Midin et al., 2017; Mason and Simmons, 2014; Moratis and Brandt, 2017). This research views the embeddedness in a more integral way by translating the practice into disclosure; integrating it into the company's strategy, governance and operations; practising it in accordance with the GRI's principles for defining report content (i.e., stakeholder inclusiveness, sustainability context, materiality and completeness); and translating its global conception into the local context.

Another contribution of this research to the literature is that it provides insights into the presumption that 'stakeholder engagement translates into disclosure' – as suggested by the sustainability reporting frameworks and the extant literature (e.g., AccountAbility, 2015; GRI, 2013, 2016; Kaur and Lodhia, 2018). According to this presumption, companies disclosing stakeholder engagement in the sustainability report are assumed to have practised what they disclosed and their practice has been in accordance with the principles guided by the reporting framework they refer to (e.g., GRI). This research provides insights into there being potential for companies to only follow the formal structure (e.g., by box-ticking exercises to GRI's stakeholder engagement indicators/disclosures) but to practise it differently. It is also possible that companies report their stakeholder engagement by making reference to the GRI, but the practice does not conform to the GRI's principles for defining report content. In other words, just because there are stakeholder engagement disclosures in a sustainability report, it does not necessarily follow that the company has practised the stakeholder engagement as disclosed nor that the practice has been in accordance with the principles in the reporting framework.

In terms of theoretical contribution, this research applies neo-institutional theory to understand the possibility of non-conformity responses to institutional influences as a result of translating the global conception of stakeholder engagement in sustainability reporting into local context. A plethora of research discusses disclosure-practice decoupling – a non-conformity response that tends to be intentional (see Behnam and MacLean, 2011; Jamali, 2010). Taking into full consideration Indonesia's local context, this research contributes to an understanding of another type of decoupling which is known as means-ends decoupling; this tends to be unintentional (see Bromley and Powell, 2012; Stål and Corvellec, 2021; Wijen, 2014). Having said this, it is important to understand that the global conception of stakeholder engagement that is believed to be appropriate universally can be conceived differently in a local context.

This research offers a practical contribution by increasing awareness and encouraging reflection as well as calling for making improvements. Stakeholder engagement needs to be embedded in sustainability reporting to help narrow the expectation gap (Adams, 2004; Deegan and Rankin, 1999; Mitchell and Hill, 2010; Parvez et al., 2019), including the expectation gap found in Gunawan's (2010, 2021) study in Indonesia. This is because stakeholders are engaged *inclusively* in *sustainability context* and in the *materiality* assessment to deliver *complete* sustainability reports. The sustainability reporting consultants in Indonesia could play an important role in shepherding their clients' stakeholder engagement, guided by the sustainability reporting framework (e.g., GRI), to go beyond merely assisting their corporate clients in meeting the GRI's indicators/disclosures and producing 'nice to read' sustainability reports.

This section has discussed the research contributions. First, it provides insights into the need to embed stakeholder engagement into sustainability reporting in an integral way. Second, it provides insights into the presumption that 'stakeholder engagement translates into

disclosure'; just because there is a stakeholder engagement section by making reference to GRI in the sustainability report, it does not necessarily follow that the company has engaged with stakeholders as disclosed nor that the practice has been in accordance with the GRI's principles for defining report content. Third, it offers an understanding of another type of decoupling, known as means-ends decoupling, which is a non-conformity response to institutional influences that tends to be an unintentional. Fourth, this research's practical contribution is in the call it makes for embedding stakeholder engagement in sustainability reporting whereby consultants could help their clients foster stakeholder engagement. The next section presents the structure of this doctoral thesis and briefly outlines the following chapters and their contents.

1.4. STRUCTURE OF THESIS

This thesis is structured as follows. Chapter 2 presents the conceptual framework and introduces the politicoeconomic, sociocultural, and legal contexts of stakeholder engagement in sustainability reporting in Indonesia, thus explaining the basis for justifying the research findings.

Chapter 3 reviews extant literature on stakeholder engagement in sustainability reporting. The chapter discusses the meaning of sustainability, the motivation for, and criticisms of, sustainability reporting. The chapter then discusses the meaning of stakeholder engagement, its role in sustainability reporting, and the ways to embed stakeholder engagement in sustainability reporting

Chapter 4 discusses the theoretical basis for the approach to the research and for analysing the research findings. The chapter discusses the early stage of the neo-institutional theory and is followed by a discussion about the further development of the theory. The latter

includes discussion about organisational fields, institutional logic and decoupling – imperative features of the theory that are relevant to this thesis.

Chapter 5 introduces the research methodology. It starts with the research philosophy and is followed by the research design. The chapter expounds on the data collection instruments, processes and analyses. It also expounds on the validity and reliability of the research as well as research ethics.

Chapters 6 to 8 outline the research findings from the questionnaire survey, sustainability reports, and interviews respectively. Chapter 6 outlines the media used for reporting, motivation for reporting, participation in the Indonesia Sustainability Reporting Award (ISRA), the use of consultants for sustainability reporting, the identified stakeholder groups, stakeholder engagement methods, and the perceived role of stakeholder engagement. Chapter 7 outlines the stakeholder identification and selection, stakeholder engagement approaches, stakeholder engagement topics, materiality in sustainability reporting (covering the process and principles for defining report content), dealing with divergent stakeholder views and the use of social media.

Chapter 8 outlines the motivation for sustainability reporting, institutional influences, reporting benefits, reporting process, the identified stakeholder groups, stakeholder engagement methods, the importance of stakeholder engagement in sustainability reporting and dealing with divergent stakeholder views.

Chapter 9 discusses the research findings as laid out in Chapters 6 to 8. Together, they answer each research question. Chapter 9 starts with a discussion to answer the main research question, i.e., embedding stakeholder engagement in sustainability reporting by the report preparers in Indonesia. The chapter then discusses the perceived role of stakeholder engagement in sustainability reporting to answer the first research question. The chapter

discusses the answer to the second research question under the heading ‘means-ends decoupling instead of disclosure-practice decoupling’.

Chapter 10 summarises this thesis by highlighting the key research findings and the contributions of the research to the literature, theory and practice. This chapter discusses the theoretical implications by highlighting whether the research findings support or change the conceptual framework. This chapter also identifies the research limitations and provides suggestions for future research.

CHAPTER 2

CONCEPTUAL FRAMEWORK AND INDONESIAN CONTEXT

2.1. OVERVIEW

This chapter discusses the conceptual framework and Indonesian context. The first part of this chapter is about the conceptual framework and it explains the research issues by connecting the key terms used in this thesis. The second part is the Indonesian context. Understanding Indonesia's politicoeconomic, sociocultural and legal background is paramount to gain a nuanced understanding of the Indonesian context and provide a contextual basis for interpreting research findings.

This chapter is structured as follows. Section 2.2 discusses the conceptual framework. Section 2.3 discusses Indonesia's politicoeconomic contexts. Section 2.4 discusses Indonesia's social and cultural contexts. Section 2.5 discusses Indonesia's legal context. Section 2.6 summarises this chapter.

2.2. CONCEPTUAL FRAMEWORK

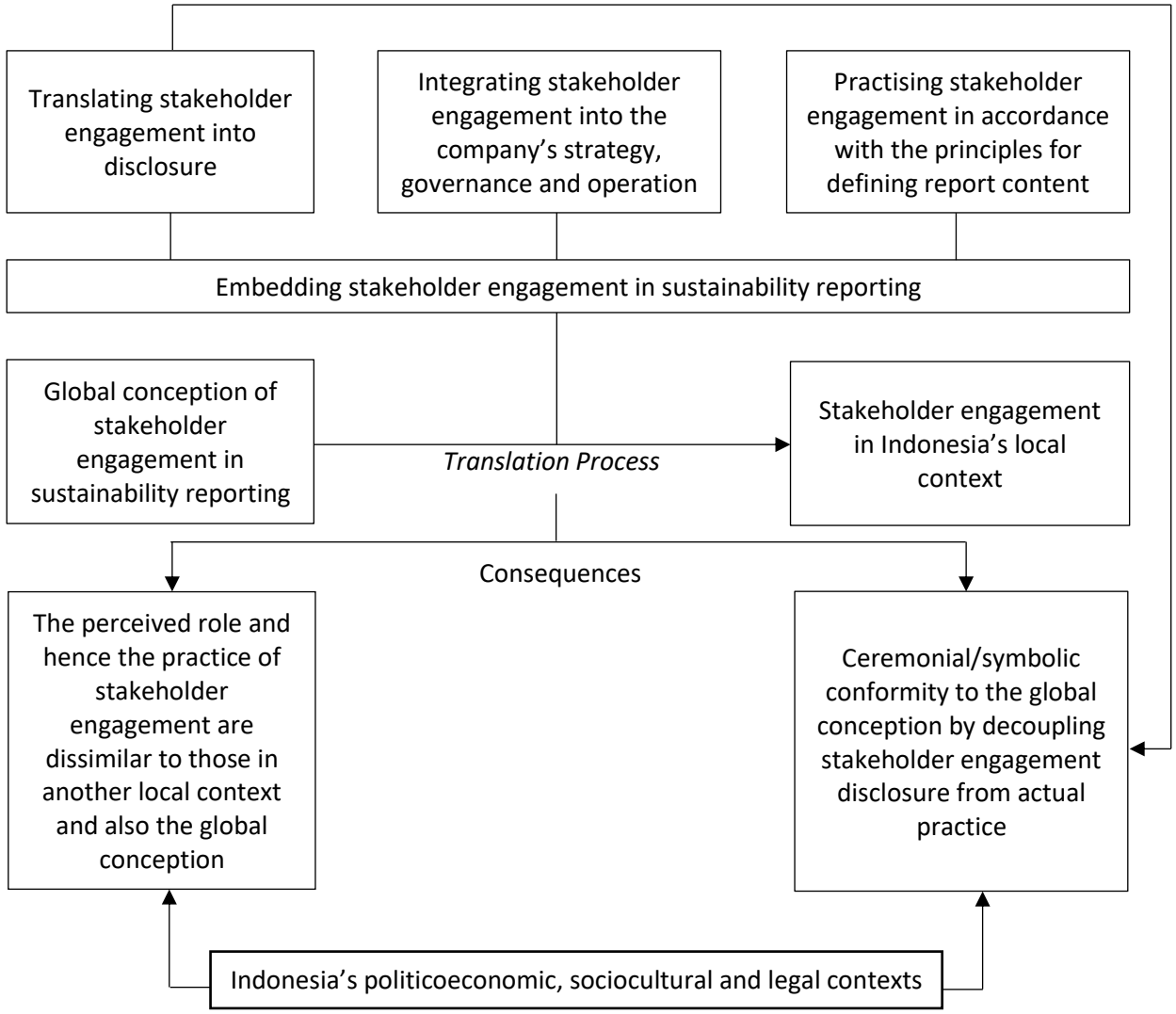
Figure 2.1 presents the conceptual framework of this research. This framework contains 'an argument about *why the topic* one wishes to study *matters*' (Ravitch and Riggan, 2017: 14, emphasis added). The conceptual framework may evolve and hence get revised because it is used to 'contextualise findings' and 'make sense of unexpected or counterintuitive results' (p. 191). In a similar vein, Miles et al. (2019: 20, emphasis added) posit,

> A conceptual framework explains, either *graphically* or in *narrative* form, the main things to be studied – the *key* factors, variables, or constructs – and the presumed *interrelationships* among them. Frameworks can be simple or elaborate, commonsensical or theory

> driven, descriptive or causal. Conceptual frameworks are simply the *current version* of the researcher's map of the territory being investigated. As the explorer's knowledge of the terrain improves, the map becomes correspondingly more differentiated and integrated. Thus, *conceptual frameworks are developed at the beginning of a study* and *evolve as the study progresses*.

Stakeholder engagement is critical in sustainability reporting (AccountAbility, 2015; Bellucci et al., 2019; GRI, 2013, 2016; Kaur and Lodhia, 2018). 'Stakeholder engagement enables organisations to enhance trust, transparency and accountability, to understand stakeholders' expectations, to generate creative solutions and to provide better communication regarding their activities and impacts… Failure to engage and meet stakeholders' expectations could undermine the credibility and suitability of reports' (Kaur and Lodhia, 2019, 167-168). When managers take control of the stakeholder engagement process (including the selection of stakeholders and sustainability topics), the sustainability report may be reflective of the company's expectations to be seen as responsible, rather than the stakeholders' expectations about the company's impacts and responsibilities (Roberts, 2003; Romero et al., 2019). When stakeholder engagement fails to include recognising such stakeholders' expectations in the sustainability report, there is likely to be a gap between what companies disclose and what stakeholders expect to see in sustainability reports, as a study by Gunawan (2010, 2021) in Indonesia has made evident.

Figure 2.1
Conceptual Framework



Since stakeholder engagement is considered paramount to hinder cherry-picking (Giacomini, 2019; Gray and Milne, 2002) and facilitate complete sustainability reports (Adams, 2004; Hahn and Lülfs, 2014), it needs to be embedded in sustainability reporting. Frameworks for sustainability reporting (henceforth referred to simply as the frameworks), such as the Global Reporting Initiative (GRI) and AccountAbility, suggest stakeholder engagement translates into disclosure (see AccountAbility, 2015: 32; GRI, 2013: 43-44; GRI, 2016: 29-32). Besides, AccountAbility (2015) suggests companies integrate stakeholder engagement into their strategy, governance and operations. This is not to mention that GRI (2013, 2016) suggests companies practise stakeholder engagement in accordance with the principles for defining report content (i.e., stakeholder inclusiveness, sustainability context, materiality and completeness principles).

Empirical research on stakeholder engagement in sustainability reporting only implicitly assumes that stakeholder engagement translates into disclosure (e.g., Midin et al., 2017). There is scant evidence that stakeholder engagement is integrated into the company's strategy, governance and operations (e.g., Mason and Simmons, 2014). There is also scant evidence that companies have implemented the principles for defining report content (e.g., Moratis and Brandt, 2017). Due to this, prior empirical studies remain fragmental in studying the ways companies embed stakeholder engagement in sustainability reporting – whereas the frameworks suggest a more integral view as outlined earlier.

Embedding stakeholder engagement in sustainability reporting is critical in the context of developing countries (Davila et al., 2018; Kaur and Lodhia, 2019; Lodhia and Sharma, 2019). According to the neo-institutional theory's perspective, the global conception of stakeholder engagement introduced by the frameworks is brought to local organisational context through a process so-called translation (Czarniawska and Joerges, 1996). This is an area of research that has received little attention in prior empirical studies on stakeholder

engagement in sustainability reporting in developing countries (e.g., Belal, 2016; Lodhia and Sharma, 2019; Zaini et al. 2018). In response, this research aims to understand the ways in which the report preparers in Indonesia embed stakeholder engagement in sustainability reporting. To reiterate, this research seeks to understand the ways the global conception of stakeholder engagement in sustainability reporting is translated into Indonesia's local context with reference to the neo-institutional theory. More specifically, this research seeks to understand the perceived role of stakeholder engagement in sustainability reporting in shaping the practice of stakeholder engagement. This research also seeks to ascertain if report preparers in Indonesia decouple stakeholder engagement disclosure from the actual practice.

Using the neo-institutional theory lens, Indonesia's institutional contexts (e.g., the politicoeconomic, sociocultural and legal contexts) shape the report preparers' perception about the role of stakeholder engagement in sustainability reporting. In the translation process, the perceived role of stakeholder engagement is likely dissimilar to those in another local context and also the global conception. Gilbert et al. (2011: 38, emphasis added) believe that 'what counts as appropriate behavior in the light of *universal standards* can *differ* from *context to context*'.

With voluntary sustainability reporting where there is a lack of coercive influence of the frameworks, companies in Indonesia may only ceremonially or symbolically conform to the global conception as outlined by the frameworks (Jamali, 2010; Meyer and Rowan, 1977). The ceremonial/symbolic conformity is undertaken by intentionally following the formal structure of the global conception (e.g., by box-ticking the GRI's indicators – see De Villiers and Alexander, 2014) but practise it differently (Behnam and MacLean, 2011). The report preparers may perceive that following the global conception could be a solution for their organisational problems, but Indonesia's politicoeconomic, sociocultural and legal contexts may hinder them from adopting that socially constructed conception. The ceremonial/symbolic

conformity enables them to obtain legitimacy while being able to protect their internal flexibility and efficiency (Bromley and Powell, 2012; Jamali, 2010). In other words, the report preparers in Indonesia may decouple stakeholder engagement disclosure from actual practice.

Mixed methods research is used to understand the perceived role of stakeholder engagement by preparers in sustainability reporting (i.e., answering the first research question) and examine whether the report preparers decouple their stakeholder engagement disclosures from the actual practices (i.e., answering the second research question). This enables the research to consider and understand the ways the preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting (i.e., answering the main research question). Data are collected and analysed by triangulating the questionnaire survey, sustainability reports and semi-structured interviews with an equal emphasis on both quantitative and qualitative inquiries. The triangulation of data sources and analyses is used to answer each of the research question.

This section has discussed the conceptual framework. This framework shows that this research seeks to understand the ways the preparers of sustainability reports in Indonesia embed the global conception of stakeholder engagement in sustainability reporting into their local context. Using the neo-institutional theory lens, it is possible that the report preparers in Indonesia perceive the role of stakeholder engagement in sustainability reporting differently from that in another local context and also the global conception. It is also possible that the report preparers decouple their stakeholder engagement disclosure from actual practice. Mixed methods research is used to answer the research questions by triangulating the questionnaire survey, sustainability reports and semi-structured interviews. The next section discusses Indonesia's politicoeconomic context.

2.3. POLITICOECONOMIC CONTEXT

Indonesia has played an important role in global politics and international economic interactions. International interconnections have brought new economic, social, environmental and governance concepts into Indonesia's political and economic debates and have influenced policy making (Datta et al., 2011). Since its independence in 1945, Indonesia has adhered to a 'free and active' foreign affairs policy. It seeks to play an active role in international affairs commensurate with the characteristics of the country and avoids involvement in conflicts with other countries. The 'free and active' foreign affairs policy reflects Indonesia's openness to international cooperation and participation in globalisation (Shekhar, 2018).

In the Southeast Asia region, for example, Indonesia is a founding member of the Association of Southeast Asian Nations (ASEAN). This association has numerous initiatives, including a commitment to regional economic integration through the ASEAN Economic Community (AEC) which enables people, goods and services to flow more freely across ASEAN members (Inama and Sim, 2015). Regarding commitment to sustainability, the AEC in its 2025 blueprint declares that 'ASEAN would actively promote green development by developing a sustainable growth agenda ... and including it in national development plans' (ASEAN, 2015: 2).

Reformasi (the reform movement) following the economic crisis that hit Indonesia in 1998 has brought significant changes to Indonesia's political and economic landscapes (Hill, 1999; Bourchier and Hadiz, 2003). The political situation has been gradually stabilising following amendments to the constitution and more democratic general elections (Crouch, 2010). Economic conditions have also gradually improved following debt restructuring programmes as well as a series of fiscal and monetary policy measures (Freedman, 2005; Robison and Rosser, 1998). More conducive political and economic conditions have

contributed to the increasing enthusiasm for voluntary sustainability reporting in Indonesia (Gunawan, 2016). Sustainability reporting has become common among companies in Indonesia as a result of their participation in the global market (Firmialy and Nainggolan, 2019). Sustainability (*keberlanjutan*) has become a popular focus in policy debates and it is critical to Indonesia since its economic development has been heavily relying upon the exploration of natural resources, including the massive use of fossil-based energy (Kurniawan and Managi, 2018; Papilo et al., 2018).

For about three decades in Indonesia's new order (*orde baru*) – the term coined by the second Indonesian President Soeharto (1966-1998) – there were only three political parties, namely Golkar (Functional Groups), PDI (Indonesian Democratic Party) and PPP (United Development Party) (Törnquist, 2013). In that period, people participated in the general election held every five years to choose political parties sitting in the People's Representative Council (i.e., the parliament) – where Golkar continuously won the general election and dominated the seats in the parliament (Tomsa, 2008). Soeharto (the one and the only candidate of president) was then appointed as a president by the parliament and reappointed six times until he resigned in May 1998 following the severe economic crisis hitting the country (Aspinall and Fealy, 2010; Eklöf, 2003).

In the transition period (1998-1999), the country's constitution was amended to allow more political parties to participate in the general election (Dibley and Ford, 2019). In 1999, the first general election in the reform era (*era reformasi*), the number of political parties participating in the general election jumped from three to 48 (Crouch, 2010). In 2002, the country's constitution was again amended to have a direct presidential election (Butt, 2015). Indonesia is now more democratic than before as it has had a multi-party system and people have been electing a president directly since 2004 (Butt, 2015; Crouch, 2010; Schwarz, 2004).

In today's reform era, mass media, non-government organisations (NGOs) and mass organisations have increased significantly (Sen and Hill, 2007). People have more freedom to speak, as well as to form and participate in social and political organisations (Hadiwinata, 2003). Moreover, criticising the ruling government is no longer a taboo (Honna, 2013). This indicates that channels for people to have a say, be heard and involved in decision making have become more widespread and more democratic (Jurriëns, 2009). Such developments are a prerequisite of stakeholder engagement in sustainability reporting (Unerman and Bennett, 2004)

Indonesia is now becoming one of the G20 major economies in the world (G20, 2021). As a developing country, Indonesia is the largest economy in Southeast Asia with a Gross Domestic Product (GDP) of about USD 1.119 trillion in 2019 but declined to USD 1.058 trillion in 2020 due to COVID-19 impacts (World Bank, 2021a), bringing the country's economy to rank 16th in the world in 2020 (World Bank, 2021b). Despite the COVID-19 pandemic situation, Indonesia remains an attractive global investment destination. Indonesia has become one of the top destinations for global investment: in the top three in Asia according to Asia Business Outlook Survey 2020 by The Economist, and in the top five in the world according to the World Investment Report in 2020 from the United Nations Conference on Trade and Development (BI, 2021). All prominent credit rating agencies have increased Indonesia's sovereign credit rating to the category 'stable outlook'. Standard & Poor's gave BBB-; Fitch Ratings gave BBB; Moody's Investor Service gave Baa2; Japan's Credit Rating Agency gave BBB; and Rating and Information Inc gave BBB (BI, 2021).

Indonesia is an active player in international trade (Resosudarmo and Kuncoro, 2006). The country has been a top exporter of a number of commodities in the world, such as crude palm oil (CPO) and nickel ore. In line with the increased awareness of sustainability, the government of Indonesia curbs exports of raw commodities and promotes downstream

industries to add more value to the exported commodities (Blenkinsop, 2019). In this capacity, Indonesia is exposed to institutional pressures arising from engagement with investors. For example, Indonesia on the one hand needs to offer tax facilities to remain attractive in the eyes of investors (EY, 2018; The Jakarta Post, 2017), but on the other hand the country also needs to preserve its natural resources from environmental damage arising from investment activities (Rifai-Hasan, 2009; World Bank, 2004).

Indonesian companies operating in environmentally sensitive industries[1] seek to comply with internationally recognised frameworks/standards and industry-specific guidelines (Djajadikerta and Trireksani, 2012). They are likely inspired by international peers and business partners across the globe who have received recognition as sustainable companies (Barreto and Baden-Fuller, 2006). For example, companies in the mining and quarrying industry in Indonesia seek to comply with standards issued by the International Organisation for Standardisation (ISO) in order to promote sustainable business and foster competitiveness in global markets (Perdana and Gunawan, 2017). According to Kemenperin (2019), the mining and quarrying industry was the fifth largest contributor to Indonesia's GDP in 2018 (i.e., 8.1 per cent of GDP). However, the industry is also allegedly responsible for the inevitable long-term social and environmental impacts arising from mine activities, reclamation and mine closure (Welker, 2014). From this standpoint, there is a call for not only doing good but also avoiding bad (Siano et al., 2017)

This section has discussed the politicoeconomic context. Indonesia actively participates in global politics and involves in international economic cooperation and trading. The growing democratisation and conducive economic condition provide a promising arena

[1] Examples of environmentally sensitive industries are pulp and paper, chemicals, oil and gas, metals and mining and utilities (see Aerts and Cormier, 2009; Cho and Patten, 2007; Radhouane, 2020).

for sustainability reporting to get its gradual acceptance in the country. The next section discusses the sociocultural context.

2.4. SOCIOCULTURAL CONTEXT

Indonesia is an archipelago of 17,508 islands (BBC News, 2017). Indonesia was the world's fourth most populous country after China, India and United States in 2020 (Worldometer, 2021). Based on the latest population census in September 2020, Indonesia's total population was 270.2 million inhabitants with 70.7 per cent of productive age (15-64 years old) (BPS, 2021a). From the statistics, Indonesia expects to receive a demographic bonus in 2045, at the time of the country's 100 years anniversary (Ariteja, 2017). However, social problems such as poverty and unemployment may turn the demographic bonus into a disaster if they are not mitigated properly. BPS (2021b) reveals that the number of people living below the country's poverty line (i.e., 458,947 rupiahs per capita per month) increased by 10.2 per cent from September 2019 to September 2020 due to COVID-19 impacts. The unemployment rate also increased due to COVID-19 impacts (BPS, 2021c) – where those with high school background were impacted the most (increased from 8.9 to 11.3 per cent) and followed by those with higher education background (increased from 5.7 to 7.5 per cent).

Indonesia is rich in culture and a home for multiple ethnicities and religions (BBC News, 2018b). The country has more than 300 local languages, but Bahasa Indonesia is the national language (The Jakarta Post, 2019). Indonesia promotes sociocultural values condensed into five foundations underlying the country's ways of life so-called *Pancasila* (literally means five foundations, i.e., believe in God, humanity, the unity of Indonesia, democracy and social justice). Unlike most Arabic countries, Indonesia is not an Islamic country even though Islam is a major religion (87.2 per cent of the total population in 2020) (BPS, 2021a). The country upholds the 'unity in diversity' (*Bhinneka Tunggal Ika*) principle, where people with diverse

sociocultural backgrounds strive to live in harmony (Vaessen, 2016; BBC News, 2010). The principle implies that the country fosters an appreciation for pluralism – a basic foundation in dialogic engagement with stakeholders in the context of sustainability reporting (e.g., Bellucci et al., 2019; Passetti et al., 2019).

Being blessed with multiple ethnicities, religions and other sociocultural differences, Indonesia does not mean isolating itself from the outside world to protect its sociocultural heritage (Hefner, 2001). Indonesia welcomes globalisation and modernisation, but the country also strives to preserve its traditional culture and local wisdom (Davidson and Henley, 2007). This implies that Indonesia does not take globalisation and modernisation for granted but adapts them into local values, beliefs, norms and rules (Greenwood et al., 2011). In spite of being open to the global society, the country is committed to eliminating the unfavourable residuals arising from globalisation, including intolerance and radicalism that disavow the country's noble values of *Pancasila* (Hiariej and Stokke, 2017; Menchik, 2016).

Yet, adaptation of global values, beliefs, norms and rules into local context towards a modern Indonesia is not an easy task since Indonesia has education and other social disparities across regions – where the government cannot mitigate these problems itself (Khan and Islam, 1990; Patunru et al., 2018). Therefore, corporate social responsibility (CSR) is paramount in narrowing such gaps in the country, for example by providing scholarships to students (Radyati, 2014; Shauki, 2011). Companies in Indonesia face sociocultural challenges particularly when communicating CSR programmes with those whose education level and communication skills are low (Rifai-Hasan, 2009). They should have an understanding of the ways of life, habits, and local languages, and strive to cooperate with local people to obtain their trust and social acceptance while strive (Zainal, 2015). Moreover, the local people might only be interested in the monetary aid offered through CSR but may be resistant to moving towards a more modern and sustainable way of life (Ghani, 2018). These sociocultural

challenges can potentially hinder the CSR in effecting positive and significant contributions towards the achievement of Indonesia's Sustainable Development Goals (SDGs) (Gunawan et al., 2020).

This section has discussed the sociocultural context. As a developing country, Indonesia struggles with sociocultural problems, such as poverty, unemployment, education gap across regions, including influences resulting from being open to globalisation, such as intolerance and radicalism. The country has decided to adapt the global values, beliefs, norms and rules into local context where pluralism is preserved under the country's five foundations known as *Pancasila* with its main principle '*Bhineka Tunggal Ika*' (unity in diversity). The next section discusses Indonesia's legal context.

2.5. LEGAL CONTEXT

Global commitments to SDGs have prompted the government of Indonesia to respond with Presidential Decree No. 59 of 2017 concerning Implementation of the Achievement of the Sustainable Development Goals. The government has also set and been pursuing nine national development priorities under a so-called *Nawacita* platform, which is in line with the United Nations' SDGs (Gunawan et al., 2020). *Nawacita* is expected to promote economic prosperity, social acceptance and environmental awareness of sustainable development in Indonesia (Bappenas, 2019).

Long before that, Indonesia had introduced a number of regulations to raise environmental awareness, foster social responsibility and promote sustainable business among corporations (Waagstein, 2011). It was in 2006 that the terminology of CSR was explicitly used for the first time in the Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency No. KEP-134/BL/2006 concerning the Obligation to Submit Annual Reports for Issuers or Public Companies. Later, this corporate non-financial

responsibility was stipulated in Indonesia's Corporation Law No. 40 of 2007 using the terminology of corporate social and environmental responsibilities or *tanggung jawab sosial dan lingkungan* (TJSL). The corporation law requires companies which carry out business activities in the field of and/or related to natural resources to report their TJSL in a section in the annual report.

The prevailing regulations on CSR/TJSL are prone to be fragmental (sectoral), overlapping, and putting more emphasis on technical procedures of CSR initiatives than reporting aspects of corporate sustainability – especially the ministerial regulations (Bhinekawati, 2017; Waagstein, 2011). For example, state-owned enterprises (SOEs) operating in the mineral and coal mining industry must comply with overlapping regulations regarding the corporate extended responsibility programmes, i.e., regulations on PKBL (*Program Kemitraan dan Bina Lingkungan* or Partnership and Community Development Programme) and P3M (*Program Pengembangan dan Pemberdayaan Masyarakat* or the Community Development and Empowerment Programme).

Under Regulation of the Minister of SOEs No. PER-02/MBU/7/2017 on PKBL, the ministry requires all SOEs in Indonesia to set aside a portion of their net income to empower small and medium enterprises (SMEs) as well as foster community development (Indarti, 2018; Sinaga, 2017). More specifically, SOEs are obliged to allocate a maximum of four per cent of their after-tax profit for PKBL. SOEs are required to engage with all relevant stakeholders including the targeted SMEs and local communities in consultancies ranging from the planning to the implementation of the PKBL. To ensure the accountability of the PKBL fund, SOEs are required to prepare reports quarterly and annually regarding the implementation of the PKBL and submit them to the Ministry of SOEs. Late report submission or any form of non-compliance would affect the directors' achievement of key performance indicators (KPI) and their remuneration package.

In addition to the PKBL regulation, SOEs operating in the mineral and coal mining sector are also required to comply with Minister of Energy and Mineral Resources (EMR) Decree No. 1824 K/30/MEM/2018 on P3M. Unlike the PKBL which is financed by net profit allocation, P3M is financed by a cost allocation in companies' annual budgets. The decree requires companies operating in energy and mineral resources sector to engage with their relevant stakeholders in planning and implementing the programme. Companies in the mineral and coal mining sector are obliged to report semi-annually the realisation of P3M to the minister and local governments under the Regulation of Minister of EMR No. 41 of 2016 concerning P3M in Mineral and Coal Mining. The regulation imposes sanctions for non-compliance in terms of reporting, which range from written warnings to cancellation of the mining licences.

Despite fragmental (sectoral) and overlapping, regulations on CSR/TJSL continuing to apply (Adhariani and du Toit, 2020; Waagstein, 2011). Indonesia eventually enacted a regulation which explicitly uses the term 'sustainability reporting' under the flagship of sustainable finance through Financial Services Authority Regulation No. 51/POJK.03/2017 (henceforth POJK 51/2017). Adhariani and du Toit (2020) posit that POJK 51/2017 marks the start of obligatory sustainability reporting as it mandates financial service institutions (e.g., banks, insurance companies), issuers (i.e., companies which issue shares listed on the IDX) and public companies (i.e., companies which have at least 300 shareholders and have a paid-up capital worth three billion rupiahs) to report their sustainability issues, performance and agenda in either the annual report or a standalone sustainability report.

> Although the [prevailing] regulations require all listed companies in Indonesia to report on CSR activities, *a report on company CSR activities alone is not considered to be a sustainability report*… the issuance of *POJK 51/2017* is expected to boost the practice of sustainability and enhance the number of companies providing *sustainability reports as a form of accountability to stakeholders* (Adhariani and du Toit, 2020: 622).

This demonstrates that sustainability reporting is an emerging field of corporate external reporting in Indonesia in the sense that it is currently in the early stages of being a mandatory reporting practice based on POJK 51/2017 (Liebman et al., 2019).

This section has discussed the legal context. The issuance of POJK 51/2017 marks the beginning of mandatory sustainability reporting. In parallel, companies in Indonesia have imposed upon them a number of CSR/TJSL regulations which tend to be fragmental (sectoral across different ministries) and overlapping. The next section summarises the chapter.

2.6. SUMMARY

This chapter has discussed the conceptual framework and its Indonesian context. The conceptual framework suggests that stakeholder engagement needs to be embedded in sustainability reporting by translating stakeholder engagement into disclosure; integrating stakeholder engagement into the company's strategy, governance and operations; and practising stakeholder engagement in accordance with the principles for defining report content. This issue is paramount in Indonesia since the global conception of stakeholder engagement in sustainability reporting introduced by the frameworks is brought into Indonesia's local contexts (its politicoeconomic, sociocultural and legal contexts) through a process known as 'translation'. In doing so, the role of stakeholder engagement in sustainability reporting may be perceived by the report preparers in Indonesia differently from another local context and also the global conception. In the translation, the report preparers in Indonesia may decouple stakeholder engagement disclosure from the actual practice due to voluntary sustainability reporting in the country plus the lack of coercive influence of the frameworks. To gain an understanding of these research issues, mixed methods research is used by triangulating the questionnaire survey, sustainability reports and semi-structured interviews.

In Indonesia's politicoeconomic context, the 'free and active' foreign affairs policy encourages the country to actively take part in global politics and international economic relations. Being open to the outside world, the contemporary economic, social, environmental and governance conceptions have been slowly brought into Indonesia's political and economic debates and influencing policy making. The economic conditions have been maintained so it is conducive for sustainable businesses, despite the COVID-19 pandemic situation. As the largest economy in the Southeast Asia region and ranked 16th globally in terms of GDP, Indonesia remains an attractive global investment destination and a key player in international trade. The political conditions have been more conducive in today's reform era: the country is more democratic where people have greater freedom to express their views – a prerequisite for fostering dialogic engagement in sustainability reporting.

As for its sociocultural context, Indonesia is a populous country with about 70 per cent of its people being of a productive age. This condition could be a demographic bonus in 2045 (when the country will be celebrating its centenary) or a disaster considering the increase in unemployment rate and the number of people living below the poverty line due to the impacts of COVID-19. As a home for multiple kinds of sociocultural heritage, Indonesia shields them with *Pancasila* (five foundations: believe in God, humanity, the unity of Indonesia, democracy and social justice) with its main principle '*Bhineka Tunggal Ika*' (unity in diversity).

In the legal context, Indonesia's corporation law imposes an obligation for disclosure on corporate social and environmental responsibilities to be included in the annual report. A number of ministries (e.g., Ministry of SOEs and Ministry of EMR) impose mandatory CSR programmes and reporting with different names (e.g., PKBL and P3M coined by the Ministry of SOEs and Ministry of EMR respectively). These ministerial regulations tend to be fragmental (sectoral) and overlapping one another. Eventually, POJK 51/2017 marked the mandatory sustainability reporting by using the term 'sustainability' instead of 'CSR' or

‘TJSL’ in the regulation. The regulation mandates financial service institutions, issuers and public companies in Indonesia to report their sustainability issues, performance and agenda in either the annual report or a standalone sustainability report.

CHAPTER 3

LITERATURE REVIEW

3.1. OVERVIEW

This chapter reviews the existing literature on stakeholder engagement in sustainability reporting. The chapter highlights that stakeholder engagement is considered to be of the utmost importance in sustainability reporting. Stakeholder engagement fosters mutual learning, understanding and commitment regarding the sustainability topics that are perceived as material for both companies and their stakeholders.

This chapter is structured as follows. Section 3.2 discusses the meaning of sustainability, the motivation for and criticisms of sustainability reporting. Section 3.3 examines the meaning of stakeholder engagement, its role in sustainability reporting, and the ways to embed stakeholder engagement in sustainability reporting. Section 3.4 summarises the chapter.

3.2. SUSTAINABILITY REPORTING

Corporate external reporting is not only about financial accountability to capital holders but also non-financial accountability to a broader range of stakeholder groups by the means of sustainability reporting (Brennan and Solomon, 2008; Miles and Ringham, 2020). Sustainability reporting is a mechanism to communicate a company's past performance, current issues and future sustainability agenda to a wide range of stakeholders (Crowther, 2012; Hossain et al., 2019). Accountability in sustainability reporting is regarded as the duty of providing information on sustainability to those whom the reporting company thinks such

information is relevant (Gray et al., 2014). ‘Accountability is the state of acknowledging, assuming responsibility for and being transparent about the impacts of an organisation’s policies, decisions, actions, products, services and associated performance’ (AccountAbility, 2018: 12). The following subsections discuss the meaning of sustainability, the motivation for sustainability reporting and criticism of the reporting.

3.2.1. The Meaning of Sustainability

Gray (2006) argues that sustainability is a global concept rather than an organisational one: ‘sustainability is a planetary, perhaps regional, certainly spatial concept and its application at the organisational level is difficult at best’ (p. 73). The term ‘sustainability’ has origins in the field of ecology as ‘the ability of the whole parts of a biotic community to extend its form into the future’ (Ariansen, 1999: 84). Consequently, sustainability reporting should be about reporting ‘activities in a way that protects the function of the earth’s ecosystem as a whole’ (Bellucci and Manetti, 2019: 20). However, Gray (2006) and Milne and Gray (2013) view the extensive practice of sustainability reporting as more about triple bottom line reporting (TBL) (Elkington, 1997) which demonstrates the economic, social and environmental impacts and responsibilities by overly focusing on the going concern of the business entity instead of the ecological system. In a similar vein, Buhr (2007: 57) argues, ‘I am not convinced that such a thing as sustainability reporting exists.... Certainly, sustainability reporting is an admirable target to work towards, even though the pathway thus far has been unclear, disputed and much longer than many would like’.

The United Nations World Commission for Environment and Development (UNWCED), also known as the Brundtland Commission, brought the concept of ‘sustainability’ from the ecological field to a broader social awareness in 1987 with the term ‘sustainable development’ (Bellucci and Manetti, 2019). The commission defines sustainable

development as development that 'meets the needs of the present without compromising the ability of future generations to meet their own needs' (UNWCED, 1987: 8). Bebbington and Larrinaga (2014: 397) posit that 'the Brundtland Report reflected a concern about the scale of human impact on the global environment as well as the possibilities for equality to let humans flourish and used the concept of sustainable development to describe the outcome sought (socially just and ecologically sound development)'. The Brundtland Commission's sustainable development enjoys extensive acknowledgement as a proper goal for humanity despite the absence of a collective understanding about what sustainability is and how it should be accomplished (Biggeri and Ferrannini, 2014).

Paun (2018) posits that three components of Brundtland's sustainable development (i.e., economic growth, social equity, and environmental protection) construct corporate sustainability reporting – which is more about Elkington' s (1997) TBL reporting, as criticised by Gray (2006) and Milne and Gray (2013). From this standpoint, sustainability has been interpreted more vaguely, to obtain wider acceptance (Laine, 2010), including in a more entity-focused way than considering the broader ecological aspect (Milne and Gray, 2013). Tsalis et al. (2020) expect to see corporate sustainability reporting as corporate external reporting about how organisations strive to manage wisely the immediate availability of resources to ensure that such resources remain available for future generations. Equally important, the ability of the environment to absorb the residuals of business activities, such as waste and air pollution.

As one of the sustainability reporting frameworks, the Global Reporting Initiative (GRI) provides guidance about what to report regarding corporate sustainability. 'The GRI standards [previously guidelines] create a common language for organisations and stakeholders, with which the *economic, environmental, and social impacts* of organisations can be communicated and understood' (GRI, 2016: 3, emphasis added). From the sustainability reporting framework's perspective, corporate sustainability reporting is about TBL reporting

with a focus on the impacts. However, empirical studies (e.g., Amran and Haniffa, 2011; Perkiss et al., 2021; Thoradeniya et al., 2015) reveal that sustainability reporting is identical to corporate social responsibility (CSR) reporting, which emphasises the corporate extended responsibilities.

This subsection has briefly outlined the meaning of sustainability. The discussion shows that the term sustainability, in the context of corporate sustainability reporting, does not capture the ecological concept of sustainability. Instead, corporate sustainability reporting is more about reporting corporate economic, social and environmental impacts and responsibilities. The next subsection discusses the motivation for sustainability reporting.

3.2.2. Motivation for Sustainability Reporting

Empirical studies reveal that stakeholder pressures induce companies to undertake sustainability reporting (e.g., Patten, 1992; Perez-Batres et al., 2012). Prior studies also reveal that the motivation for sustainability reporting is closely associated with an incentive to enhance corporate reputation (e.g., Higgins et al., 2015; Castilla-Polo and Sánchez-Hernández, 2021). A study by Stubbs et al. (2013) on rationales for *not* reporting confirms the role of stakeholder pressure and reporting incentives. The study finds that 'lack of external stakeholder pressures' (p. 461) and 'no perceived benefits' (p. 463) are two key reasons why 23 of Australia's top 200 companies listed on the Australian Stock Exchange (ASX 200) do not carry out sustainability reporting.

3.2.2.1. Responding to Stakeholder Pressures

Higgins et al. (2018) posit that interaction with diverse stakeholders influences the decision about how a company is going to respond to stakeholder pressures. A company's interaction with its stakeholders would 'collectively shape norms and expectations' leading to

a decision whether or not to report (Higgins et al., 2018: 310). A study by O'Dwyer et al. (2005: 771), for example, found that non-government organisations (NGOs) demanded corporate social disclosures (CSDs) to gain 'knowledge of a company's commitment to responsible business practices' and the companies in their study responded by reporting and tackling the issues of concern to the NGOs.

A study by Perez-Batres et al. (2012) found that the more a company is subject to public scrutiny, the more likely the company is to respond to the pressure by undertaking CSR reporting. Patten (1992) reported that stakeholder pressures do not need to be direct for a company to issue its environmental disclosures. A study by Patten (1992) found that other petroleum companies in the same industry as Exxon increased their environmental disclosures in their annual reports in the absence of direct pressure from the impacted stakeholder groups following the case of the Exxon Valdez oil spill in Alaska. According to Radhouane et al. (2020), large companies, particularly those operating in environmentally sensitive industries (i.e., oil, chemicals and mining – see p. 66), are more likely to utilise voluntary sustainability reporting to signal their awareness of their social and environmental impacts and responsibilities. That is because they receive more considerable attention from and encounter conflict with a broader range of stakeholders, including social and environmental activists and the media (Antonini et al., 2020).

Belal and Owen (2015) examined the motives for initiating and ceasing standalone sustainability reporting by ABC, a fictional name for a leading multinational company (MNC) subsidiary in the Bangladesh tobacco industry. Global and local pressures were the main trigger for the reporting, which initially took the form of social disclosures in the corporate annual report. When anti-tobacco activism became more intense in the country, the company conducted more formal stakeholder engagements and voluntarily issued a GRI-based standalone sustainability report. As a result, the report contents became more detailed in

relation to social and environmental information than the annual report. This corporate response to increased tobacco activism reflects 'reactive enlightened self-interest' (O'Dwyer, 2003: 539) as it aims to demonstrate social and environmental awareness while protecting the company's business from the further harmful impact caused by such activism.

In the study by Belal and Owen (2015), the formal dialogic stakeholder engagement did not successfully stem anti-tobacco pressures. As a result, the company ultimately decided to discontinue standalone sustainability reporting and chose to use the annual report and corporate website. However, the study found that stakeholder engagement information was no longer available in either the annual report or the corporate website following the discontinuation of the standalone sustainability report. Besides, the information in the new medium of reporting reflected the way the company responded to social and environmental issues by 'shorter general symbolic narratives' (p. 1185). This response is consistent with De Villiers and van Staden (2006: 767) who observe that companies tend to limit or stop reporting 'in the hope that this will assist in reducing the importance of the issue'. The finding implies that either by not engaging with stakeholders, or not reporting, then issues can be discarded to reduce their impacts and importance.

3.2.2.2. Enhancing Corporate Reputation

Castilla-Polo and Sánchez-Hernández (2021) found causality in the relationship between corporate social and environmental disclosure (SED) and reputation (i.e., reputation drives SED and SED affects reputation). The former is evident in a study by Al-Tuwaijri et al. (2004) in that reputable companies with 'good' environmental performance tend to show greater *quantifiable* environmental disclosures. The latter is evident in a study by Patten and Zhao (2014: 132) in that 'standalone CSR reporting by retail companies appears to positively influence perceptions of companies reputations'.

Higgins et al. (2015) examined what drove large Australian companies to produce standalone sustainability reports. The study revealed that 88 per cent of the sample companies aimed at improving or managing their reputations. Buhr (2007) posits that when companies start to consider to whom and for what they are accountable, they are motivated to report on sustainability performance, issues and agenda with 'a *calculated* purpose and a *message* in mind' (p. 62, emphasis added). Motives for sustainability reporting, according to O'Dwyer (2003), often serve the companies' self-interests, by seeking to protect them from possible detrimental economic impacts or to support business successes.

A plethora of studies (e.g., Michelon et al., 2015; O'Dwyer, 2003; O'Dwyer and Owen, 2005) reveal that large companies strive to enhance their reputations by undertaking sustainability reporting and disclosing any awards achieved in this area. O'Dwyer and Owen (2005) observe that companies who receive sustainability reporting awards are associated with best practices. They observe, 'the reports chosen [in the study] are potentially *influential* as they comprise those short-listed for the 2002 Association of Chartered Certified Accountants (ACCA) UK and European Sustainability Reporting Awards scheme and are thus deemed to exhibit *"best" reporting practices* in the European context' (p. 208, emphasis added). However, awards achieved in this area and disclosed in sustainability reports tend to be deployed by companies 'to construct an image of commitment that is designed to positively influence stakeholders' perceptions without concrete changes in corporate actions' (Michelon et al., 2015: 60).

This subsection has discussed the motivation for sustainability reporting. The discussion suggests that the reporting motivation tends to be a response to stakeholder pressures which demand corporate social and environmental accountability and to enhance corporate reputation. The next subsection discusses the criticism of sustainability reporting.

3.2.3. Criticism of Sustainability Reporting

Perhaps one of the most significant challenges in sustainability reporting is deciding whether there is an urgent need for mandatory global sustainability reporting standards (Bellucci and Manetti, 2019). The International Financial Reporting Standards (IFRS), under the IFRS Foundation Trustees, for example, published a Consultation Paper in September 2020 arguing that 'there is an urgent need to improve the consistency and comparability in sustainability reporting' (IFRS, 2020: 4). In the Consultation Paper, it is apparent that IFRS is redefining sustainability reporting by leaning towards the perspective of investors. 'Large institutional investors demand better disclosure of climate risks and sustainability indicators. These investors use sustainability reporting to inform their decisions and want comparable and verifiable information' (IFRS, 2020: 5). The Trustees aim to finalise the creation of the International Sustainability Standards Board (ISSB) by November 2021 to develop global sustainability standards (IFRS, 2020, 2021). In response, Adams and Abhayawansa (2021) suggest that there is no urgent need for a global sustainability standard-setting body set up under the IFRS Foundation Trustees. They strongly argue that 'the IFRS Foundation's Consultation Paper does not consider the relative strengths of other approaches [e.g., the GRI standards, previously called guidelines]. The IFRS Foundation has no experience in the discipline of sustainability. The IFRS Foundation Trustees do not consider the merits of a multi-stakeholder perspective, perhaps preferring to reinvent what sustainability reporting is from an 'investor perspective'—their area of expertise' (p. 8).

Meanwhile, the European Financial Reporting Advisory Group (EFRAG) Project Task Force on European sustainability reporting standards (PTF-ESRS) and GRI recently signed landmark Statement of Cooperation to 'co-construct new European Union (EU) sustainability reporting standards and contribute to further global convergence' (GRI, 2021). Unlike the IFRS, the EFRAG-GRI cooperation aims to stick to sustainability reporting to a

broad range of stakeholders (EFRAG, 2021). As this thesis is being compiled in 2021, the debate on mandatory global sustainability reporting standards remains open. To date, GRI (GRI, 2013; GRI, 2016) and AccountAbility (AccountAbility, 2015; AccountAbility, 2018) are frameworks that have been widely used for sustainability reporting across organisations and countries. However, such frameworks are designed for voluntary use (Hedberg and von Malmborg, 2003; Smits et al., 2020).

Parker (2005) posits that voluntary sustainability reporting tends to be extensive, covering a broad range of topics and is often dissimilar, one to another. The practice of voluntary reporting also tends to be a cherry-picking exercise whereby only positive information is selected and presented to demonstrate favourable performance and exclude any unfavourable aspects (Gray and Milne, 2002), thus potentially resulting in incomplete sustainability reports and a reporting-performance portrayal gap (Adams, 2004). In a similar vein, Gray (1997) introduces the term 'silent account' for sustainability reports which comprise incomplete information as they are based on the preparers' own perspective.

Gray's (1997) silent account represents a lack of completeness, a concern echoed in a case study of Alpha (a fictional name of a large, multinational company) by Adams (2004). Disclosures about ethical, social and environmental performance prepared by Alpha were compared with one reported by sources external to the company being studied. The external sources used in the study of Alpha are equivalent to 'counter accounts' (Boiral, 2013; Gallhofer et al., 2006) or 'shadow accounts' (Dey, 2007) representing voices external to the corporation. The study finds that Alpha seemed to demonstrate positive performance according to its own disclosures, but a gap was found when the external sources (equivalent to the counter or shadow accounts seen in other studies) were considered – indicating a disparity between what Alpha reported and what it actually did – a so-called 'reporting-performance portrayal gap' in the study.

Another criticism is that sustainability reports are compiled to manage stakeholder impressions. Cho et al. (2012) studied the use of graphs in 120 sustainability reports issued by companies in six different countries. The study found that the use of graphs exhibits impression management 'to enhance a positive image and to obfuscate negative trends' (p. 74). From the wider voluntary reporting literature, Cooper and Slack (2015) undertook a longitudinal and comparative study on water leakage disclosures which was prepared by 10 water and sewage companies in England and Wales. It was evident that companies with poor performance (that is, those who failed to achieve leakage targets) deployed a wider variety of impression management techniques than their better-performing counterparts. In a similar vein, Cho et al. (2010) found that worse environmental performers use more optimistic language to manage stakeholder impressions.

Sustainability reporting is also criticised for being inconsistent between disclosures and performances (Khan et al., 2021). Greenwashing is a term widely used to describe where a reporting company intentionally misleads stakeholders by disseminating deceptive information about satisfactory social and environmental performance while hiding poor actual performance (Laufer, 2003). In a sustainability reporting context, referring to Seele and Gatti (2017), greenwashing occurs when 'words ≠ deeds' (p. 247), meaning that the words (that is, sustainability disclosures) do not match the deeds (sustainability performance). Seele and Gatti (2017) also highlight that greenwashing comprises two components, namely the company's intention to give misleading information to the public and the public's accusation about being misled. This implies 'no accusation, no greenwashing' (p. 241). Siano et al. (2017) suggest that rather than focus on 'doing good', voluntary sustainability reporting should talk more about 'avoiding bad' to mitigate the greenwashing accusation. Sustainability reporting would, therefore, focus on how the company attempts to avoid socially and environmentally irresponsible practices which potentially harm stakeholders rather than accentuating

exaggerated claims so it can be perceived as a good corporate citizen (Lin-Hi and Muller, 2013).

This subsection has discussed the criticisms of sustainability reporting. The discussion shows that, up to this moment, the use of sustainability reporting frameworks remains voluntary whereas the debate on whether there is an urgent need for mandatory global sustainability reporting standards remains open. Sustainability reporting tends to cherry-pick favourable information, using language and graphs that can impress the readers of sustainability reports or even masking poor sustainability performance with deceptive information, the so-called greenwashing. Such behaviour leads to a reporting-performance portrayal gap when voices beyond the internal corporation are taken into account. The next section discusses stakeholder engagement in sustainability reporting.

3.3. STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING

Stakeholder engagement in sustainability reporting provides a platform to enable reporting companies and stakeholders to exchange views about current sustainability issues; to cooperate in avoiding and mitigating unintended negative impacts of business activities and to communicate transparently on corporate sustainability performance (Andriof and Waddock, 2002; Bellucci and Manetti, 2019; Manetti, 2011). This section discusses the meaning of stakeholder engagement, its role in sustainability reporting and the ways to embed stakeholder engagement in sustainability reporting.

3.3.1. The Meaning of Stakeholder Engagement

The term ‘stakeholder’ came from the Stanford Research Institute in 1963 to contrast the well-established term ‘stockholder’, in the sense that there are individuals and groups that have a ‘stake’ or interest in the actions of the corporations other than the holders of

corporate equity (Freeman and Reed, 1983: 89). One widely cited definition from Freeman (1984: 46) states that stakeholders are 'any group or individual who can affect or is affected by the achievement of the organisation's objectives'. This definition implies that the management of a company should take into account every individual, group or organisation that influences or is impacted by the company's business activities (Bryson, 2004; Bellucci and Manetti, 2019). This definition may also mean that any individual, group or organisation could consider themselves to be affected by a company's business activities without being noticed or acknowledged by the management of the company (Bellucci and Manetti, 2019; Friedman and Miles, 2006).

A narrower definition appears in Freeman (2004: 54) where stakeholders are 'those groups who are vital to the survival and success of the organisation'. It is critical to distinguish which stakeholders determine the very survival of the company and which stakeholders only affect or are affected by the company, but do not affect the survival of the company, the so-called primary and secondary stakeholders respectively (Clarkson, 1995). A study by Bellucci et al. (2019) found that companies tend to use more resources when they engage with their primary stakeholders while deploying fewer resources with secondary stakeholders. Consequently, there is a risk that companies might neglect secondary stakeholders who deserve or require management attention as they might influence or be impacted the most by the company (Bellucci and Manetti, 2019).

Engagement with stakeholders is *not* merely a process of *involving* stakeholders to elicit views on their relationship with the company or *managing* stakeholder expectations and relations (Bellucci and Manetti, 2019). 'Stakeholder engagement should be aligned with organisational objectives ... through *learning* from stakeholders' (AccountAbility, 2015: 15, emphasis added) in an 'open and *mutually respectful* relationship' (Rinaldi, 2013: 101, emphasis added). 'Stakeholder engagement aims at enhancing *mutual understanding* and

alignment between organisations and their stakeholders' (Kaur and Lodhia, 2014: 58). Stakeholder engagement 'foresees a mutual commitment on resolving issues that may emerge in the relations between the corporation and its general and specific environment' (Manetti, 2011: 111). Stakeholder engagement is an arena where 'organisations and stakeholders *interact* ...[in] processes enabling stakeholders to have a 'say' in organisational *decisions impacting* on their lives' (O'Dwyer, 2005: 28, emphasis added).

Greenwood (2007: 321-322) defines stakeholder engagement as 'a process or processes of consultation, communication, dialogue and exchange'. Meanwhile, AccountAbility (2015: 5) defines stakeholder engagement as 'the process used by an organisation to engage relevant stakeholders for a clear purpose to achieve an agreed outcome'. Therefore, communication or dialogue is the essential aspect of stakeholder engagement through which diverse sustainability concerns are identified, communicated and addressed (Thomson and Bebbington, 2005).

GRI (2002) posits that 'a primary goal of reporting is to contribute to an *ongoing* stakeholder *dialogue*. Reports alone provide little value if they fail to *inform* stakeholders or support a dialogue that *influences the decisions* and behaviour of *both* the reporting organisation and its stakeholders' (p. 9, emphasis added). Chapman et al. (2005) define dialogue as 'a climate of openness, free of preconceptions, which supports people to acknowledge each other beyond their roles, as genuine human beings' (p. 221). In dialogue, 'the intention is not to advocate but to inquire, not to argue but to explore, not to convince but to discover' (Burchell and Cook, 2008: 36-37). These characteristics distinguish the dialogue from debate, which is seemingly 'beating each other down' (Chapman et al., 2005: 221).

To understand further the meaning of stakeholder engagement in sustainability reporting, it is critical to assess whether the engagement is substantive/authentic or symbolic (Dawkins, 2014; Roberts, 2003). Substantive stakeholder engagement requires a determination

to be open with diverse views on corporate sustainability and a commitment to bring about positive changes in the surrounding society and environment (Dawkins, 2014). Symbolic stakeholder engagement, in contrast, is 'an expression of corporate egoism: a demand to be seen to be not only powerful but also good ...[whereby] the concern expressed is not for the other but for how the other sees the corporation' (Roberts, 2003: 256).

Roberts (2003) adds that whether or not stakeholder engagement is authentic can be assessed by whether or not 'the production of social and environmental reports [is merely] a complement to the [company's] financial accounts' (p. 256) for 'being seen to be good' (p. 255). If that is the case, the stakeholder engagement underlying the reporting is not regarded as authentic because 'for all the display of corporate goodness, operational practices remain entirely untouched' (p. 257). Authentic or substantive stakeholder engagement, by contrast, yields sustainability reporting with relevant information perceived to be paramount by stakeholders and brings about real changes to societal well-being and the natural environment – as opposed to cosmetic changes in the symbolic stakeholder engagement (Hyatt and Berente, 2017; Khan et al., 2021).

Symbolic stakeholder engagement is evident in a study undertaken by O'Dwyer (2003). For example, a questionnaire was prepared for stakeholders which only provided predetermined answers without any open questions which would have enabled the respondents to fully or freely express their concerns. In addition, it is evident in the study that managers were highly selective in inviting stakeholders to be involved in the engagement. Scant evidence was found on how managers addressed the sustainability issues that concerned stakeholders.

Symbolic stakeholder engagement in sustainability reporting arguably produces distorted reports which supply weak (or at worse misleading) information, which tends to promote 'corporate self-image' (Roberts, 2003: 256). In such a symbolic engagement, stakeholders may nominally be engaged, but this does not incorporate diverse stakeholder

views; nor does it allow them to participate in the decision-making processes that matter to them, nor to take part in defining the contents of sustainability reports (Manetti, 2011).

This subsection has discussed the meaning of stakeholder engagement. The discussion suggests that the essence of stakeholder engagement in sustainability reporting is dialogue or communication to foster mutual learning, understanding and commitment between the reporting organisations and their stakeholders on corporate sustainability. The discussion also suggests that substantive/authentic stakeholder engagement is associated with the greater potential of providing relevant information for stakeholders and bringing about real changes in economic, social and environmental conditions. In contrast, symbolic stakeholder engagement tends to result in distorted or even misleading information in the sustainability report and demonstrates only cosmetic changes. The next subsection discusses the role of stakeholder engagement in sustainability reporting.

3.3.2. The Role of Stakeholder Engagement in Sustainability Reporting

To reiterate, prior studies use the term 'sustainability' reporting interchangeably with 'CSR' reporting (see, for example, Amran and Haniffa, 2011; Perkiss et al., 2021; Thoradeniya et al., 2015). Kepore and Imbun (2011) undertook a study of the role of stakeholder engagement in formulating CSR programmes. The study finds that a mining company engaged local communities in Papua New Guinea when planning its CSR programmes to identify and address their needs. The company embraced the local communities' aspirations to deliver what they really needed. Mason and Simmons (2014) found that stakeholder engagement in the CSR planning stage contributes to overall corporate sustainability success. 'CSR is no longer about individual projects or programmes, but rather how the totality of business activities impact on the organisation's stakeholders' (p. 80). This

implies that the success of CSR brings success to the overall businesses and *vice versa*, failure in planning CSR with relevant stakeholders means failure for the business.

Besides CSR planning, stakeholder engagement is paramount in the implementation of CSR. Hutjens et al. (2015) studied stakeholder engagement in CSR's implementation by Belgium companies. The study shows that relevant stakeholder groups (e.g., the government, local communities and employees) are engaged by informing them about the CSR programmes that are being implemented, or just completed, via brochures, websites and reports. Stakeholders are also engaged via surveys to elicit their views on the CSR's implementation. From this, the stakeholder engagement methods aim to inform and consult with stakeholders. According to Arnstein's (1969) typology of participation levels, 'informing' and 'consultation' have a degree of tokenism, i.e., the practice of making only a perfunctory or symbolic effort to do a particular thing (Kaur and Lodhia, 2017). A participative stakeholder engagement method in the implementation of CSR, with a degree of empowerment (Arnstein, 1969), is found in a study by Tao et al. (2018). Their study found that companies being studied 'have been adopting a *participatory* approach, in which employees are provided with resources to design and *implement CSR initiatives* that are personally meaningful to them.… By allowing employees to develop ownership of such initiatives, these companies have not only achieved success in promoting social well-being but also cultivated employees as their brand ambassadors in the CSR domain' (p. 668).

Stakeholder engagement is critical in monitoring and evaluating the CSR programmes. Hammond and Miles (2004) posit that CSR monitoring and evaluation enables companies to benchmark their CSR performances with their peers'. Dobele et al. (2014) found that stakeholders are engaged in the CSR monitoring and evaluation by gathering their feedback, suggestions and criticism for further improvement. A study by Hörisch et al. (2015) reveals that 'to reliably reduce stakeholder critique requires improved sustainability

performance and vice versa, without communicating with stakeholders, good sustainability performance may be worth little for a company to reduce stakeholder critique' (p. 214). The study implies that stakeholder critique that arises from stakeholder engagement needs to be included in the sustainability report outlining what the critique is and how the company responds to it.

Stakeholder engagement plays an important role in identifying and resolving sustainability issues. To be effective, 'mutual commitment' between organisations and stakeholders needs to develop (Manetti, 2011: 111). In a study conducted by Greco et al. (2015), stakeholders and the Italian local councils studied played a vital role in identifying and resolving various sustainability issues, such as 'poor service, unresponsiveness to customer concerns, corruption' (p. 484). To this end, the Italian local councils share their power with stakeholders to have meaningful consultations. 'Meaningful consultation occurs when the stakeholders have the power to influence ... the strategic direction and advance new opportunities and proposals' (p. 471).

Stakeholder engagement also plays a critical role in managing sustainability performance over time. The performance has to be measured and recorded in a well-developed accounting and management information system. That is because 'what gets measured gets managed' (Topping, 2012: 45). As suggested by the GRI (2013), 'sustainability reporting helps organisations to set goals, measure performance and manage change in order to make their operations more sustainable ... sustainability reporting makes abstract issues tangible and concrete, thereby assisting in understanding and managing the effects of sustainability developments on the organisation's activities and strategy' (p. 3).

Stakeholder engagement plays an essential role in determining material issues to deliver complete sustainability reports. 'Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that

will influence the decisions, actions and performance of an organisation or its stakeholders' (AccountAbility, 2015: 11). A study on materiality assessment by Puroila and Mäkelä (2019) revealed that companies engaged with stakeholders in materiality assessments in order to define the report content. However, such engagement seems to be overly technical through a materiality matrix. The dynamics and complex reality of stakeholder engagement when determining material issues seem to have been oversimplified and absent from the sustainability report.

Like Puroila and Mäkelä (2019), Beske et al. (2020) in a study on materiality assessments by German companies, found that 'companies disclose only a small amount of the related information and fail to explain the methods for the stakeholder and topics/aspects identification. Thus, *the underlying processes* to define the report content remains unclear' (p. 162, emphasis added). In a similar vein, Bellucci et al. (2019) also find that '*the difficulties* met during the stakeholder engagement process are rarely disclosed' (p. 1490, emphasis added). From this point of view, it is expected that sustainability disclosures reflect 'an adversarial condition that can be latent or active, but is never completely absent' (Dawkins, 2015: 21), such as collisions of interests, increased tensions, unsolved problems, coping under challenging negotiations and compromises in reaching consensus – which are, to some extent, representative of cherry-picking exercises as criticised by Gray and Milne (2002).

Intentional decisions not to report the dynamics or complexities of materiality assessment could be associated with an attempt to avoid the negative perceptions which might arise from readers/users of the report noticing such complexities (Ketelaar, 2012). On the other hand, unintentional decisions could be due to a narrow focus on meeting sustainability disclosure indicators outlined by the reporting framework (Puroila and Mäkelä, 2019). Not disclosing the dynamics or complexities involved in reaching consensus in voluntary sustainability reporting is understandable given the absence of coercive pressure to do so (Zhao

and Patten, 2016). The non-disclosing may also be reflective of the level of power or visibility a stakeholder group has in the company-stakeholder relationship (Dawkins, 2015). However, it would nonetheless be of value to disclose the sociopolitical aspects of the process of reaching consensus in a materiality assessment (Beske et al., 2020; Puroila and Mäkelä, 2019). Such a voluntary disclosure, while not required by any reporting framework, would indicate more authentic stakeholder engagement embedded in the sustainability reporting process (Roberts, 2003).

This subsection has discussed the role of stakeholder engagement in sustainability reporting. Stakeholder engagement is paramount in planning, implementing and monitoring sustainability/CSR programmes. Stakeholder engagement also plays its role in identifying and solving sustainability issues, not to mention in determining material topics to deliver a complete sustainability report. The discussion also suggests that the produced sustainability reports should be reflective of stakeholder engagement, including the dynamics and complexities in the materiality assessment process. The next subsection discusses embedding stakeholder engagement in sustainability reporting.

3.3.3. The Ways to Embed Stakeholder Engagement in Sustainability Reporting

Embedding stakeholder engagement in sustainability reporting comprises of three aspects. First, stakeholder engagement is translated into disclosure, as suggested by AccountAbility (2015) and GRI (2013, 2016). Second, stakeholder engagement is integrated into the company's strategy, governance and operations, as suggested by AccountAbility (2018). Third, stakeholder engagement is practised in accordance with the principles for defining report content, as suggested by GRI (2013, 2016). The following subsections discussed these aspects.

3.3.3.1. Translating Stakeholder Engagement into Disclosure

If stakeholder engagement and disclosure are tightly coupled in the sustainability report, the report readers will be informed as to which stakeholder groups were concerned with the sustainability issues and how the company engages with them to respond to the issues, along with other information on stakeholder engagement (Bradford et al., 2017; Kaur and Lodhia, 2018). However, if stakeholder engagement and disclosure are loosely coupled, stakeholder engagement disclosures will not reflect the actual practices (Crilly et al., 2016). As acknowledged by Kaur and Lodhia (2018) in their study of Australian local councils, 'it was possible that some councils were undertaking stakeholder engagement extensively but not disclosing their activities in the reports' (p. 346). From this point of view, it appears likely that stakeholder engagement disclosures deliberately omit the actual practices. It is also possible that stakeholder engagement disclosures overstate the actual practices (i.e., by reporting stakeholder engagement more extensively than the actual practices).

3.3.3.2. Integrating Stakeholder Engagement into Corporate Strategy, Governance and Operations

Prior studies show that companies whose CSR programmes incorporate diverse stakeholder groups but are peripheral or loosely embedded in corporate strategy, governance and operations are closely associated with symbolic stakeholder engagement (see Mason and Simmons, 2014; Roberts, 2003). AccountAbility (2015) suggests companies embed stakeholder engagement into their strategies. 'The organisation shall integrate stakeholder engagement into all relevant policies and/or processes for strategy development' (p. 12). A study by Lozano (2012) indicates that integrating stakeholder engagement into corporate strategy is not easy. The study identifies four areas which present challenges. First, understanding the ability of internal stakeholders (i.e., the company's management and

employees) to convey their views in formulating corporate strategies. Second, identifying the external stakeholders involved and selecting the methods used to capture their views. Third, harmonising divergent views from internal and external stakeholders in formulating corporate strategies. Fourth, ensuring that the formulated strategies are able to address the issues that matter for both the internal and external stakeholders.

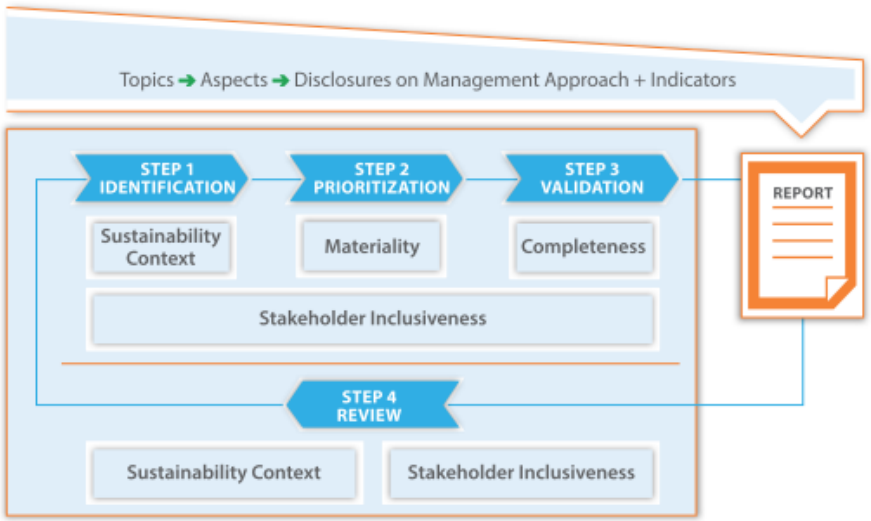
AccountAbility (2015) also suggests companies embed stakeholder engagement into their governance. 'The organisation shall integrate stakeholder engagement into governance, structure and relevant decision-making processes' (p.12). A study by Zeitoun et al. (2014) reveals that it is possible for companies to include the representatives of external stakeholders in the companies' formal organisational structure to protect multiple stakeholders' interests. However, Low and Cowton (2004) found challenges in embedding stakeholder engagement into corporate governance. First, it is challenging to put people from outside the company into the company's governing bodies which requires reasonable administrative, managerial and entrepreneurial skills. Second, the presence of the external stakeholders' representatives in the company's governing bodies would work if they were not only consulted, to elicit their views, but also given the opportunity to contribute to the company's decision-making processes.

It is also crucial to embed stakeholder engagement into operations (AccountAbility, 2015). 'The organisation shall integrate stakeholder engagement into operational management and systems' (p. 13). A study by Mason and Simmons (2014) reveals that integrating stakeholder engagement in CSR programmes leads to trust being built between the companies and stakeholders. It is in line with AccountAbility (2015: 13) in that 'well managed and coordinated stakeholder engagement builds trust with internal and external stakeholders'.

3.3.3.3. Practising Stakeholder Engagement in Accordance with the Principles for Defining Report Content

GRI (2013, 2016) suggests four principles (i.e., stakeholder inclusiveness, sustainability context, materiality and completeness) to be implemented in the process for defining the content of reports (i.e., identification, prioritisation, validation and review of sustainability topics). The principles suggest stakeholders are *inclusively* engaged in a wide range of *sustainability contexts* (i.e., beyond the business-as-usual context), including being part of the process for determining sustainability topics that are deemed *material* for both the company and stakeholders, to deliver *complete* disclosures in the sustainability reports. Figure 3.1 illustrates the implementation of the principles in the process for defining report content.

Figure 3.1
Principles and Process for Defining Report Content



Source: GRI (2013: 32)

A) Stakeholder Inclusiveness and Sustainability Context Principles in the Identification Stage

GRI (2016) promotes the stakeholder inclusiveness principle in that, 'the information made available through sustainability reporting allows *internal and external stakeholders* to form opinions and to make informed decisions' (GRI, 2016: 3, emphasis

added). Prior studies (e.g., Bellucci et al., 2019; Greco et al., 2015; Kaur and Lodhia, 2018) reveal that inclusive stakeholder engagement is paramount in sustainability reporting because otherwise sustainability information tends to be self-reporting (Gray, 2006; Johnson et al., 2018) and cherry-picking (Ringham and Miles, 2018; Yang et al., 2019). In the case of non-inclusive stakeholder engagement, 'firms selectively disclose relatively benign impacts, creating an impression of transparency while masking their true performance' (Marquis et al., 2016: 233). The stakeholder inclusiveness principle should be implemented in the whole process for defining report content, including when identifying sustainability issues (see Figure 3.1).

O'Dwyer et al. (2005) posit that inclusive engagement with a wide range of stakeholders – including those who lack the power to convey their views/voice – offers hope of narrowing Adams' (2004) reporting-performance portrayal gap. In the study undertaken by O'Dwyer et al. (2005), it is stated that 'the current sustainability reporting practice is viewed negatively with regard to its credibility and sufficiency, as well as the *opportunities* it provides *for engagement* with companies ... *many were optimistic* about the potential for NGO engagement with companies aimed at tackling social and environmental issues and improving current sustainability practices' (pp. 759-760, emphasis added). Unerman (2007) adds that in the absence of stakeholder engagement in sustainability reporting, '... only by luck will a social and environmental report be effective in addressing the information needs of ... its identified stakeholders' (p. 92).

GRI (2016) promotes the sustainability context principle in that 'the report shall present the reporting organisation's performance in the *wider context of sustainability*' (p. 9, emphasis added). This implies that the sustainability context is different from a business-as-usual context. Stakeholder engagement in the business-as-usual context seems to be driven by motives of economic self-interest (Banerjee and Bonnefous, 2011). For example, companies

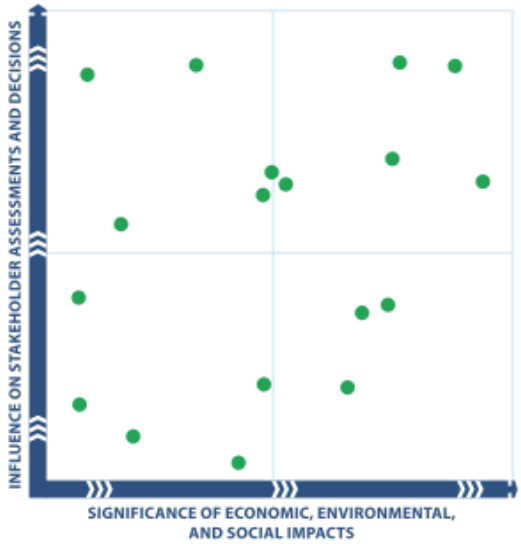
engage with suppliers to build commitment to just-in-time (JIT) inventory schedules in order to promote efficiency in managing inventories (Handfield, 1993). Companies engage with capital providers (e.g., shareholders, investors and creditors) to discuss mergers and acquisitions to expand the scope of their businesses (Gaughan, 2013). Companies engage with customers to survey product satisfaction, seeking further improvements to enhance the market share of their products (Anderson et al., 1994).

In the sustainability context, however, stakeholder engagement needs to go beyond such economic motivations (Mathur et al., 2008). For instance, companies engage with suppliers to ensure that suppliers do not use child labour, to promote a sustainable supply chain (Zutshi et al., 2009). Companies engage with capital providers to seek funding for a recycling programme for a better environment (Porter and Kramer, 1999). Companies engage with customers to educate them about a product recycling programme to reduce product waste (Shrivastava, 1995).

B) Stakeholder Inclusiveness and Materiality Principles in the Prioritisation Stage

Materiality along with stakeholder inclusiveness principles are implemented when prioritising sustainability issues (see Figure 3.1). In the prioritisation stage, companies allow both internal and external stakeholders to *co-determine topics* to be included in sustainability reports (Jones et al., 2016; Manetti, 2011; Mio et al., 2020). The GRI (2016) promotes the materiality principle in that 'the report shall cover topics that reflect the reporting organisation's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders' (p. 10). Figure 3.2 illustrates the materiality assessment conducted in the prioritisation stage through the development of a materiality matrix.

Figure 3.2
Development of Materiality Matrix



Source: GRI (2013: 12)

The figure shows that the materiality matrix is developed by classifying the importance of sustainability issues into two groups for both the company (X-axis) and stakeholders (Y-axis). Only the highly important issues for both parties are reported in detail in the sustainability report. The materiality matrix suggests that prioritising sustainability issues cannot be undertaken by the company itself but *co-determined* by both the company and stakeholders. In the case of non-inclusive stakeholder engagement, the prioritised issues are not likely reflective of those deemed material by the stakeholders (Reimsbach et al., 2020). Meanwhile, if stakeholder engagement is inclusive, the report readers need to know the dynamic process underlying the prioritised issues. However, companies tend to present the technical aspects of the materiality matrix which overweigh the sociopolitical aspects as discussed earlier – the essentials part that has been missing so far when reading a sustainability report, as criticised by Puroila and Mäkelä (2019).

C) Stakeholder Inclusiveness and Completeness Principles in the Validation Stage

Figure 3.1 suggests that completeness along with stakeholder inclusiveness principles are implemented when validating sustainability issues. GRI (2016) promotes the completeness principle in that sustainability reports should present balanced information and be representative of stakeholder expectations. 'The report shall include *coverage of material topics* and their *boundaries*, sufficient to reflect *significant* economic, environmental and social *impacts;* to enable *stakeholders* to *assess* the reporting organisation's *performance* in the *reporting period*' (p. 12, emphasis added). This implies that in the validation stage, the highly important sustainability issues assessed in the prioritisation stage are validated by both internal and external stakeholders. The highly important issues are validated to ensure that they are deemed material with significant impacts and to ascertain whether they are within the company's boundary or outside.

When stakeholder engagement is not inclusive in the validation stage, a sustainability report may comprise more information but not necessarily quality information and it may be excessive or irrelevant to the stakeholders, as the interested users of the sustainability report (Michelon et al., 2015). Owen et al. (2000) introduced the term 'managerial capture', which implies 'management takes control of the whole process (including the degree of stakeholder inclusion) by strategically collecting and disseminating only the information it deems appropriate to advance the corporate image, rather than being truly transparent and accountable to the society it serves' (p. 85). O'Dwyer (2003) posits that managerial capture is managers' narcissistic response to stakeholders' concerns regarding the achievement of corporate economic goals – as opposed to managers' authentic willingness to embrace the stakeholders' aspirations to improve societal and environmental conditions. Managerial capture has a 'highly selective nature of corporate engagement with stakeholders,

and the control by the management of the agenda and dialogue with stakeholders' (Baker, 2010: 848).

When sustainability topics are determined by internal stakeholders and the report is compiled solely from the perspective of the company, then the resulting sustainability disclosures 'will almost certainly be shallow ... [and potentially] diminish the meaning of corporate social responsibility and accountability' (Owen et al., 2000: 86). Managerial capture is incompatible with the principle of inclusiveness by the GRI (2013, 2016). In this regard, the sustainability information that is compiled from the perspective of the company is likely to lead to 'cherry-picking' and consequently imbalanced information (Gray and Milne, 2002) where the more favourable is presented while hiding or blurring the unfavourable (Cho et al., 2012). Managerial capture is also likely to deliver irrelevant information because it is self-promotion or self-serving and has little or no value for stakeholders' decision-making purposes (Unerman et al., 2007). Therefore, managerial capture is unlikely to contribute to the complete reports (Adams, 2004).

D) Stakeholder Inclusiveness and Sustainability Context Principles in the Review Stage

The GRI (2013) explains, 'Finally, after the report has been *published*, it is important that the organisation undertakes a *review* of its report.… This review takes place as the organisation is preparing for the *next reporting cycle*' (p. 33, emphasis added). Figure 3.1 suggests that companies engage inclusively in a sustainability context with their stakeholders when reviewing their published sustainability reports. A study by Yáñez et al. (2019: 60-61), however, found that stakeholders were not inclusively engaged because only internal stakeholders '(general management, SD [sustainable development] commission, and specialised staff)' undertook the review process. It is also evident in their study that the review process was undertaken through desktop research, (i.e., 'by analysing organisational data,

monitoring results, identifying best practices and drafting action plans'). 'After reviewing the results of the two previous cycles', the internal stakeholders used the review results to identify sustainability issues in the next reporting cycle. The practice found by Yáñez et al. (2019) may result in incomplete feedback for improving the next sustainability reporting.

This subsection has discussed the ways to embed stakeholder engagement in sustainability reporting. The subsection suggests that stakeholder engagement and disclosures need to be tightly coupled in sustainability reporting by translating the engagement into disclosures. Stakeholder engagement also needs to be integrated into the company's strategy, governance and operations. Equally important, stakeholder engagement needs to be practised in accordance with the principles for defining report content. The next section summarises this chapter.

3.4. SUMMARY

In the course of its development, sustainability has been interpreted by organisations in a more entity-focused way. This chapter shows that sustainability reporting is more about reporting corporate economic, social and environmental impacts and responsibilities, which is close to Elkington's TBL reporting. Sustainability reporting is expected to demonstrate organisations' concerns for the ecological system, as reflected by the initial definition of 'sustainability' in the field of ecology and the term 'sustainable development' in the Brundtland Commission's report.

The motivation for sustainability reporting varies, but empirical studies suggest two reasons, namely responding to stakeholder pressures which demand sustainability reports and enhancing corporate reputations. Large companies in environmentally sensitive industries are prone to undertake sustainability reporting because they are subject to greater public scrutiny than their smaller counterparts or those operating in other industries. The extant

literature shows a causality relationship between sustainability disclosures and corporate reputation (i.e., reputation drives the disclosures and the disclosures affect the reputation).

Sustainability reporting has been the subject of various criticisms. First, there is the debate as to whether there is an urgent call for mandatory global sustainability reporting standards which has not yet been cast in stone – whereas the GRI, as a widely used framework, is designed for voluntary use. Second, sustainability reporting tends to be a form of cherry-picking, i.e., selecting and presenting only favourable information that can enhance the company's reputation but blurring, obfuscating or even discarding unfavourable information than can jeopardise its reputation. Another criticism is that sustainability reporting is used to impress the report readers by using optimistic language and graphs to enhance a positive image and to obfuscate negative trends. It is also found that, to some extent, words (disclosures in the report) are not consistent with the deeds (actual performance), and hence there is the potential for accusations of greenwashing. From this, it is suggested that companies would rather talk more about 'avoiding bad' than 'doing good' in their sustainability disclosures.

The essence of stakeholder engagement in sustainability reporting is the dialogue or communication with a wide range of stakeholders regarding economic, social and environmental impacts and responsibilities. Only authentic or substantive stakeholder engagement, which reflects genuine commitment to sustainability, is associated with sustainability reporting excellence. Substantive stakeholder engagement potentially narrows down the reporting-performance portrayal gap to deliver complete and useful sustainability reports. In contrast, symbolic stakeholder engagement potentially produces distorted if not misleading information in the sustainability report and does not bring about real changes.

Regarding the role of stakeholder engagement in sustainability reporting, this chapter shows that stakeholder engagement is paramount for incorporating stakeholders' concerns into the company's CSR programmes – from planning to the monitoring and

evaluation stages. Stakeholder engagement is also critical in identifying and resolving various sustainability issues. Stakeholder engagement plays a vital role in determining the material issues in sustainability reports to deliver relevant, complete and useful information for stakeholders' decision-making purposes. In this regard, materiality issues tend to be overly technical through a materiality matrix. Sustainability reporting, however, lacks rich information on the sociopolitical aspects of the complex process of the materiality assessment, including diverse views from disparate impacted stakeholder groups, tensions and negotiations involved in reaching consensus and unresolved issues, among others. Even though sustainability reporting frameworks do not demand the disclosure of such dynamics and complexities, they should not be unacknowledged and treated as if the materiality assessment process runs smoothly. Voluntarily disclosing the dynamics and complexities in the process of materiality assessment reflects more authentic stakeholder engagement in this area.

To embed stakeholder engagement in sustainability reporting, companies need to translate the practice into disclosures. Stakeholder engagement disclosure needs to reflect actual practices and to link to the material issues included in a sustainability report. By doing so, the sustainability report becomes more informative because it clarifies who and how the relevant stakeholders are engaged in every material sustainability issue and how the company attempts to address each issue.

Stakeholder engagement also needs to be embedded into the company's strategy, governance and operations to reflect more substantive/authentic stakeholder engagement. The extant literature shows that stakeholder engagement in CSR programmes that are loosely embedded in corporate strategy, governance and operations is closely associated with symbolic stakeholder engagement.

Embedding stakeholder engagement in sustainability reporting can be conducted by implementing stakeholder inclusiveness, sustainability's context, materiality and

completeness principles in the process for defining report content. The first principle, stakeholder inclusiveness, suggests that companies engage with a wide range of stakeholder groups when identifying, prioritising, validating and reviewing sustainability issues. Prior studies, however, found that managers of reporting companies opt to be highly selective and take control of the whole process of stakeholder engagement – known as 'managerial capture' which constitutes symbolic as opposed to authentic or substantive stakeholder engagement.

It is also important to note stakeholder engagement should go beyond the business-as-usual context, as suggested by the sustainability context principle. This second principle should be implemented when identifying sustainability issues and reviewing the company's published sustainability reports. Meanwhile, the third principle, i.e., the materiality principle, should be implemented when prioritising sustainability issues. The principle suggests that diverse stakeholders' views should be captured through inclusive stakeholder engagement in the materiality assessment process and reported in the sustainability report. However, prior studies show more about the technicalities in the materiality matrix's development than the sociopolitical aspects of the process. The fourth principle, the completeness principle, should be implemented when validating sustainability issues. The principle suggests that information presented in the sustainability report needs to be balanced between favourable and unfavourable information and be representative of the stakeholders' expectations.

CHAPTER 4

THE UNDERPINNING THEORY

4.1. OVERVIEW

The purpose of this chapter is to provide a theoretical basis for the approach to the research and to analyse the research findings. Neo-institutional theory is used to explain the ways the preparers of sustainability reports in Indonesia embed stakeholder engagement in their sustainability reporting. The theory is used to elucidate the possible non-conformity response to the global conception of stakeholder engagement in sustainability reporting when it is implemented in a local context. More specifically, the theory explains the perceived role of stakeholder engagement in sustainability reporting by the report preparers, which may deviate from the principles outlined by a sustainability reporting framework. The theory also explains the reasons for decoupling stakeholder engagement disclosures from the actual practice, if any. Decoupling in institutional analysis is an organisational compromise response to an institutional pressure that contradicts the internal objectives of the organisation (Oliver, 1991; Stål and Corvellec, 2021).

This chapter is structured as follows. Section 4.2 discusses the early stage of the neo-institutional theory. Organisational fields, institutional logic and decoupling as imperative features in the further development of the neo-institutional theory are discussed in Section 4.3. Section 4.4 summaries the chapter.

4.2. EARLY STAGE OF THE NEO-INSTITUTIONAL THEORY

Institutional theory explains how social structures (e.g., rules, norms and routines) 'become established as authoritative guidelines for social behaviour' (Ritzer, 2005: 408). The theory links the organisational practices and societal values in explaining why organisations tend to take on similar characteristics and processes, including similar reporting practices (Deegan, 2014; Ebrahimi and Koh, 2021). Prior studies in the field of social and environmental accountability research used the theory to explain the creation, diffusion, adoption and adaptation of an institution to become taken for granted 'over space and time' (Scott, 2005: 461). For example, Helms et al. (2012) studied the *creation* of the International Organization for Standardization (ISO) 26000 standard as a guideline for integrating corporate social responsibility. Alonso-Almeida et al. (2015) studied the *diffusion* of sustainability reporting in universities. Vigneau et al. (2015) studied the *adoption* of the Global Reporting Initiative or GRI as an institution of the sustainability reporting framework. Joseph (2012) studied the *adaptation* to the reporting framework that is perceived as being ambiguous.

Institutions are socially constructed and established ways of doing things, in which values and beliefs are instilled along with norms and rules that are set to maintain social interactions and behaviour patterns (Djelic and Quack, 2008; Thoradeniya et al., 2021). Certain 'ways of doing things' are conceived as legitimate actions, where deviant practices would experience problems in gaining and maintaining legitimacy[2] (Deegan, 2014). Institutions are closely related to stable and recurring patterns of behaviour shaped by values, beliefs, norms and rules that are achieved through a process known as institutionalisation (Cooper et al., 2008; Jain et al., 2021; Zucker, 1977). Scott (1987) posits organisations adopt new institutions which

[2]Suchman (1995) defines legitimacy as 'a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions' (p. 574). The legitimacy theory explaining how organisations attempt to reconcile their values with those of society so they are perceived as responsible organisations is another 'story' and not covered in this chapter.

become institutionalised as taken for granted practices because organisations are 'rewarded for doing so through increased legitimacy, resources and survival capabilities' (p. 498).

A case study of an Italian company (called BETA, a fictional name) undertaken by Contrafatto (2014) shows that the institutionalisation of social and environmental reporting in the company went through three phases, namely *construction*, *practicalisation* and *reinforcement*. First, key actors in the company *constructed* 'a common meaning system' (p. 414). The construction of such a system went through externalisation, objectivation and internalisation processes. As a new institution, the idea of reporting the company's social and environmental responsibility emerged (externalisation) and then it was introduced (objectivation) and instilled (internalisation) in the company. Meyer and Rowan (1977: 340) call the process of constructing a common meaning system the creation of an institutional 'myth'. Second, BETA started to *practise* the newly created institution (i.e., the social and environmental reporting). In this stage, the new institution was rationalised by personnel of the company (Scott, 2014). Third, the company's top management *reinforced* the social and environmental reporting. Reinforcement was undertaken by encouraging personnel to conform to the institution leading to an institutionalised and a taken for granted *routine* practice within the company (Cooper et al., 2008).

A critical question arises from BETA's institutionalisation of the social and environmental reporting — as to how the reporting practice by an individual company like BETA diffuses across companies. Deegan (2014) suggests that when the reporting practice is conceived as a legitimate way to demonstrate corporate social and environmental responsibility, companies would rationalise it as an institutional myth where non-reporting practices would negatively impact the companies' legitimacy (see also Meyer and Rowan, 1977). More companies may conform to the same myth because it is believed to be the appropriate answer for their organisational problems (Boxenbaum and Jonsson, 2008; Higgins

et al., 2018). Since then, the myth has become deeply institutionalised (Meyer and Rowan, 1977) leading to institutional isomorphism (DiMaggio and Powell, 1983). Isomorphism refers to 'a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions' (DiMaggio and Powell, 1983: 149).

Prior studies (e.g., Shabana et al., 2017; Singh et al., 2021) show that the institutional isomorphism is the result of mimicking the practices initiated by peers. DiMaggio and Powell (1983) use the terminology of 'modelling' to articulate the way organisations follow their perceived successful peers. In this regard, 'the modelled organisation may be unaware of the modelling or may have no desire to be copied; it merely serves as a convenient source of practices that the borrowing organisation may use. Models may be diffused unintentionally, indirectly through employee transfers or turnover, or explicitly by organisations such as consulting firms or industry trade associations' (p. 151). When more companies undertake such modelling, then the institutionalised practice of mimicking peers reflects mimetic isomorphism. A study by Singh et al. (2021) shows that the corporate social responsibility (CSR) of the companies in their study resulted from 'the mimetic isomorphism mechanism arising among industry peers (i.e., peer firms which operate in the same industry) and community peers (i.e., peer firms with their headquarters located in the same geographical area)' (p. 1).

It is also evident in prior studies that the institutional isomorphism came from normative influences (e.g., De Villiers and Alexander, 2014; Herremans et al., 2009; Higgins et al., 2018). Normative institutional pressures highlight 'the right thing to do' (Scott 1995: 51). De Villiers and Alexander (2014) posit that the GRI standards (previously guidelines) exert a normative influence through professionalisation, i.e., a framework to improve reporting practices. Higgins et al. (2018) reveal that the normative isomorphism of corporate

sustainability reporting in Australia was shaped by cultural norms whereas that in Canada was shaped by professional associations, as found in Herremans et al. (2009).

In addition to mimetic and normative isomorphism, prior studies (e.g., Midin et al., 2017; Sari et al., 2021) also show coercive isomorphism in corporate non-financial reporting. Coercive isomorphism emerges from pressures exerted by external parties on organisations due to organisational reliance on resources or by virtue of societal expectations (DiMaggio and Powell, 1991). Organisations may perceive such pressures as 'force, persuasion or invitation' to do something (DiMaggio and Powell, 1983: 150). Midin et al. (2017) found that the coercive isomorphism of stakeholder engagement disclosures in local councils' websites in Malaysia resulted from a coercive pressure exerted by the Ministry of Urban Wellbeing, Housing and Local Government throughout its Local Agenda 21 (LA21) programme.

In conceptualising isomorphism, DiMaggio and Powell (1983) revisited the conception of Max Weber's 'iron cage'. The iron cage is a metaphor used to illustrate how organisations are constrained by societal values, beliefs, norms and rules in their ways to rationalise socially constructed myths. In the absence of such a constraining process (i.e., without putting organisations into the iron cage), isomorphism would not exist because organisations do not conform to the institutional myths. From this, Oliver (1991) proposed a typology of organisational strategic responses to institutional processes, ranging from conformity to non-conformity. The typology suggests that conformity to institutional myths becomes the only possible response when organisations are in the iron cage (DiMaggio and Powell, 1983), in which socially constructed values, beliefs, norms and rules constrain them in rationalising institutional myths. However, when organisational actors strive to rationalise institutional myths by seeing the myths from a different angle outside the iron cage, organisations can compromise, avoid, defy or manipulate institutional processes instead of showing conformity.

The seminal works of Meyer and Rowan (1977), Zucker (1977), and DiMaggio and Powell (1983) mentioned in the discussion above mark the early stage of a contemporary perspective of the institutional theory, known as the neo-institutional theory. As mentioned in DiMaggio and Powell (1991), the neo-institutional theory emerges as a response to the 'old' or 'traditional' institutional theory pioneered by Selznick (1949) that tends to be instrumental and relates to the rational choice of actors with their vested interests. Selznick's (1949) traditional institutional theory views organisations as tools to achieve ideals, in which institutions are formed by the means of '*averting threats* to their stability or existence' (p. 13, emphasis added). Selznick (1949) highlights that powerful actors in the case of the Tennessee Valley Authority (TVA) aim to institutionalise practices that can further organisational self-interest. The early stage of the neo-institutional theory, in contrast, views institutions as socially constructed values, beliefs, norms and rules that constrain organisations, leading to stable, recurring and isomorphic patterns of behaviour.

Over time, the neo-institutional theory evolved. Further development of the neo-institutional theory is marked by various organisational responses other than conformity to institutional processes (Oliver, 1991). The theory highlights the conception of how institutional actors (Maguire et al., 2004) carry out a process of creating a new institution, or maintaining or disrupting an existing institution (Lawrence and Suddaby, 2006). The next section discusses organisational fields, institutional logic and decoupling as imperative features in the further development of the neo-institutional theory, which are relevant to illuminate the research findings in this thesis.

4.3. FURTHER DEVELOPMENT OF THE NEO-INSTITUTIONAL THEORY

This section discusses the further development of the neo-institutional theory, in which organisational fields (also called 'institutional fields' or just 'fields', which can be used interchangeably) are 'the central construct' of institutional analysis (Wooten and Hoffman, 2008:130). Thornton and Ocasio (2008) posit that an organisational field is 'a place where institutional logic get played out' (p. 119). Subsection 4.3.1 discusses the conception and connection between organisational fields and institutional logic. It provides a theoretical basis for illuminating research findings regarding the perceived role of stakeholder engagement in sustainability reporting. Subsection 4.3.2 discusses the conception of decoupling in institutional analysis. It provides a theoretical basis for illuminating research findings about whether or not the preparers of sustainability reports in Indonesia decouple stakeholder engagement disclosures from their actual practices.

4.3.1. Organisational Fields and Institutional Logic

Wooten and Hoffman (2008) defined organisational fields as 'relational spaces that provide an organisation with the opportunity to involve itself with other actors ... in an effort to develop a collective understanding regarding matters that are consequential for organisational and field-level activities' (p. 138). The conception of organisational fields has emerged since the early stage of the neo-institutional theory, but it has evolved remarkably. As discussed previously, organisations attempt to rationalise institutional myths in the iron cage in the early stage of the neo-institutional theory (see DiMaggio and Powell, 1983; Meyer and Rowan, 1977). 'Collective rationality' (DiMaggio and Powell, 1983: 147) at the field level in that way has hindered divergent practices at the organisational level. Socially constructed constraints in the field have framed organisations to maintain stable, recurring and isomorphic practices among them as field members.

In contrast, organisational fields in the further development of the neo-institutional theory are considered as arenas for actors with different levels of influence and knowledge to participate in a 'contentious process' (Scott, 2014: 269). This is a process that is likely to cause disagreements or arguments when rationalising the various field-level issues within a socially constructed framework of values, beliefs, norms and rules. The field is viewed as a place where ideas are contested among field members (so-called institutional logic) (Thornton and Ocasio, 2008). 'Institutional logic is the organising principle guiding field participants, and refers to a set of belief systems and associated practices' (Reay and Hinings, 2005: 354). Such ideas at the field level are then moved by field members (Czarniawska and Joerges, 1996) through translation into the organisational level (Sahlin and Wedlin, 2008). 'In the process of translation, the original meaning of an organisational practice changes as individual field members incorporate these items into their own organisations' (Wooten and Hoffman, 2008: 142). Consequently, organisational practices tend to become more heterogeneous.

In articulating institutional logic, Thornton and Ocasio (2008: 101) posit that 'an institutional logic is the way a particular social world works ... [which is] embodied in practices, sustained and reproduced by cultural assumptions and political struggles'. Institutional logic is not merely about the logic of action, but rooted in societal values, beliefs, norms and rules as sources of its legitimacy. Institutional logic is about 'how belief systems and associated practices guide the field' (Reay and Hinings, 2005: 352).

Abeydeera et al. (2016) distinguished the global and local fields of sustainability reporting in Sri Lanka. The former is influenced by the GRI and the United Nations Global Compact (UNGC) whereas the latter is influenced by Buddhist principles and values. Their study shows that sustainability reporting in the country is more global than local. 'Buddhism is not influential in the local field of corporate sustainability reporting, as it does not appear to influence what is reported or how it is reported' (p. 496). The global field of corporate

sustainability reporting shows its dominant institutional forces which 'tend to replace the influence of local fields' (p. 485).

Similar to Abeydeera et al. (2016), a study by Thornton (2002) in the organisational field of higher education publishing reveals that publishers followed the dominant logic while eliminating the non-dominant one. The study found that an editorial logic underlay the publishing practices until a competing institutional logic, a so-called 'market logic' emerged and forced the publishing practices to become more business oriented. In contrast, Reay and Hinings (2009) posit that competing forms of institutional logic do not always end up with the dominant logic eliminating the non-dominant one. They studied the competing forms of institutional logic in the field of health care systems in Alberta, Canada. The study provides a compelling insight that a new dominant logic and an old non-dominant logic can co-exist. The business-like health care logic has emerged as the dominant logic and subdued the medical professionalism logic, but never eliminated it. The two conflicting forms of logic have co-existed and been managed for many years without negatively impacting the patients.

The findings discussed above have several implications in the context of stakeholder engagement in sustainability reporting as an institutional field. First, the global field with its institutional logic may contradict the local field with its local principles, values, norms and rules. Conflicting forms of institutional logic can be triggered by incompatibility in their goals or means (Pache and Santos, 2010). Second, the adoption of the global field with its institutional logic may dominate and eliminate the institutional logic in the local field. As concluded in the study by Abeydeera et al. (2016), the domination of the global institutional influences results in the absence of Buddhist principles and values manifested in Sri Lanka's sustainability reporting practices. Third, the adaptation of the global field with its institutional logic may result in the co-existence of both global and local institutional influences but this can compromise the implementation of the former's principles. Oliver (1991) suggests that

organisations show duality in their actions when a socially constructed pressure is perceived to be legitimate but contradicts their internal objectives. Companies may practise and disclose their stakeholder engagement in sustainability reporting influenced by their local context. However, the ways they practice and disclose it may deviate from the principles outlined by the GRI as a globally used sustainability reporting framework.

An embedded agency is the core assumption of institutional logic in that 'the interests, identities, values, and assumptions of individuals and organisations are embedded within the prevailing institutional logic' (Thornton and Ocasio, 2008: 103). Therefore, when the interests of key actors in the organisation have changed, the prevailing institutional logic will also have changed. The central issue is whether the key actors who are being constrained by regulative, normative and cognitive norms or the peripheral actors in the field have come up with a new idea to challenge the prevailing institutional logic and champion a new practice and how they convinced other members in the field to adopt such a new practice[3].

This subsection has discussed the organisational field and institutional logic. Stakeholder engagement in sustainability reporting can be conceived as an institutional field because it is an arena for actors to participate in various issues, within a socially constructed framework of values, beliefs, norms and rules. The field has its institutional logic, which is an organising principle guiding the field participants with a set of belief systems and associated practices. It is possible that the prevailing institutional logic in the field changes when a new idea or logic is accepted by the field members. It is also possible that the implementation of the institutional logic at the organisational level is different from that intended at the field level, as

[3]It is a discussion area of institutional entrepreneurship, another interesting feature of neo-institutional theory. Therefore, it is not discussed further in this chapter. The central discussion of institutional entrepreneurship is about the paradox of an embedded agency (Garud et al., 2007): if the key actors were embedded in the field, how could they envision a new practice and then influence others? They have the power to force a change in the field but they are unlikely to be motivated to do this as they have been advantaged by the prevailing practice. Meanwhile, the peripheral actors might have the incentive to advocate a new practice but lacked the power to promote the change and influence other field members.

a result of the translation process. It is a process of moving the institutional logic from the field level to the organisational level. The next subsection discusses institutional decoupling.

4.3.2. Non-Acquiescence Through Institutional Decoupling

Organisational responses to institutional processes or pressures vary depending on the institutional complexity, such as multiple competing forms of institutional logic (see Bromley and Powell, 2012; Greenwood et al., 2011; Oliver, 1991). This subsection discusses institutional decoupling as an organisational response to such complexity. The discussion is structured as follows. The first part discusses what constitutes institutional decoupling. The second part discusses two types of institutional decoupling. The last part discusses the reasons for institutional decoupling.

4.3.2.1. What is Institutional Decoupling?

Organisations are not only responding to the technicalities of external pressures but also the social aspects by performing in accordance with societal expectations of what constitutes legitimate organisations (Bromley and Powell, 2012). Therefore, to obtain legitimacy from society, organisations strive to embrace the aspirations of a wide range of stakeholders, to be able to conform to their expectations. In the case where socially constructed processes or pressures contradict the internal objectives of organisations, conformity potentially impedes their internal operations whereas non-conformity potentially puts their life at risk as they may be perceived as illegitimate organisations (Boxenbaum and Jonsson, 2017). When dealing with such a dilemmatic situation, organisations opt to claim they conform, but in fact they do not (Ählström, 2010; Heese et al., 2016).

Bromley and Powell (2012) used the metaphor of ‘smoke and mirrors’ (p. 483) which refers to an illusion that is intended to make people believe that something is being done

or is true, when it is not. In this regard, organisations consciously decide to respond to societal expectations by conforming to the formal rules, structures and policies to obtain legitimacy, but on the other hand, organisations also have an intention to shield their internal operations and assure that their internal objectives are achievable by not practicing those rules, structures and policies (Jamali, 2010; Meyer and Rowan, 1977). In other words, organisations create and maintain a *gap*[4] between *claim and action* or *disclosure and practice*, known as 'institutional decoupling' (Boxenbaum and Jonsson, 2017; Bromley and Powell, 2012). It important to note that institutional decoupling is triggered by *socially constructed pressures* imposing rules, norms, values and beliefs that are *responded to in order to gain legitimacy* while being able *to protect the organisation's internal flexibility and efficiency* (Bromley and Powell, 2012). The terminology of 'decoupling' is used hereinafter to show what constitutes institutional decoupling.

In practice and in the literature, to some extent, decoupling is considered equivalent to 'window dressing' (Weaver et al., 1999) or 'greenwashing' (Tashman et al., 2019). That is particularly when decoupling is understood to be the creation of a gap between 'words' and 'deeds' (Seele and Gatti, 2017) or 'talks' and 'walks' (Bromley and Powell, 2012) by intentionally impressing the readers of sustainability reports about 'doing good', which differs from the actual performance. For example, Tashman et al. (2019), in their study of CSR reporting by multinational companies in emerging countries, perceive decoupling as 'the *gap* between firms' CSR *disclosures* and how third parties rate their CSR *performance*' (p. 167, emphasis added). CSR decoupling in the study by Tashman et al. (2019) is undertaken by intentionally overstating or misrepresenting their actual CSR performance through the

[4] Bromley and Powell (2012) use the term 'policy-practice gap' which refers to the same situation as the 'disclosure-practice gap' or 'claim-action gap'.

production of deceptive or selective CSR disclosures, without endeavouring to examine whether such disclosures correspond to CSR performances.

Even though decoupling is associated with the disclosure-practice gap, the gap in the core idea of decoupling is not aimed to mislead and harm stakeholders in the sense of reporting good rather than poor social and environmental performances. Instead, the gap in the early conception of decoupling results from a strategic response to a socially constructed myth to gain legitimacy while preserving the internal operations (Boxenbaum and Jonsson, 2017; Meyer and Rowan, 1977; Oliver, 1991) – which is not necessarily associated with an attempt to mislead and harm the stakeholders. However, Bromley and Powell (2012) posit that 'at the policy-practice level, decoupling occurs when *rules are unimplemented* or *routinely violated*' (p. 489, emphasis added). Therefore, 'policy-practice decoupling is increasingly likely to be seen as a *moral and operational failure*, *in contrast to early conceptual* depictions that emphasised the legitimacy benefits of decoupling' (p. 498, emphasis added). From this point of view, to some extent, decoupling is associated with 'window dressing' (Weaver et al., 1999) or 'greenwashing' (Tashman et al., 2019) in the context of sustainability reporting.

This part has discussed what constitutes institutional decoupling. It is a company response to a socially constructed pressure that is perceived as being legitimate to follow but contradicts the company's internal objectives, such as efficiency. The next part discusses two types of institutional decoupling, namely disclosure-practice decoupling and means-ends decoupling.

4.3.2.2. Two Types of Institutional Decoupling

Oliver (1991) posits that decoupling is a 'strategic response' by organisations to socially constructed processes utilising 'compromise tactics' (p. 153). '[Compromise tactics] are employed *in the spirit of conforming to* and accommodating institutional rules, norms, or

values, *but* in contrast to acquiescence, institutional *compliance is only partial* and organisations are more active in *promoting their own interests*' (p. 154, emphasis added). This implies that organisations engage in the duality of decisions when societal expectations are considered to be in conflict with internal objectives, namely by 1) *setting formal policies* as expected by society to obtain legitimacy and 2) *continuing the usual practices*, because otherwise the internal operations are negatively impacted by conformity to the societal expectations which are in conflict with the internal objectives, such as efficiency or autonomy.

Decoupling policy from practice has been of interest to scholars of neo-institutionalism. For example, Jamali (2010) examined the policy-practice gap created and maintained by multinational corporations (MNCs) in Europe and Asia. It is evident that managers in the study engaged in 'ceremonial conformity' (p. 617) by formally adopting policies outlined by the international accountability standards (IAS) without concomitant the actual practices to protect their internal operations. In a similar vein, Behnam and MacLean (2011) posit that companies decide to decouple the formal policy of adopting IAS from their practices in order to gain legitimacy and avoid close scrutiny while preserving their business-as-usual method. Symbolically adopting IAS in that way, according to Behnam and MacLean (2011), results in 'credibility cover' (p. 47) in the sense that policy-practice decoupling engenders companies to be perceived as credible in implementing standards, but enables them to continue undertaking activities that are discouraged by the standards.

Despite empirical evidence of policy-practice decoupling, Bromley and Powell (2012) posit that it is likely to happen that organisations set a policy, as expected by society, about what constitutes legitimate organisations and it is thoroughly practiced. However, the way organisations implement the policy is not in line with the goal of such a policy. Therefore, the policy-practice gap does not exist, but the means-ends gap does. In other words, policy-practice decoupling is not the only form of decoupling, but there is another type of decoupling

that is also worth exploring, the so-called means-ends decoupling. Bromley and Powell (2012) suggest that the likelihood of means-ends decoupling is higher in opaque organisational fields. 'Decoupling also occurs in the relationship between means and ends, when policies are implemented but the link between formal policies and the intended outcome is opaque' (p. 489).

Wijen (2014) supports Bromley and Powell (2012), by stating that means-ends decoupling is more evident in opaque institutional fields. As suggested by Bromley and Powell (2012), 'In an increasingly managerial world that emphasises *evaluation, standardisation, and benchmarking*, the policy-practice form of decoupling may become less common, whereas *means-ends decoupling is likely on the rise*' (p. 485, emphasis added). In response, Wijen (2014) uses sustainability standards, including ISO standards, as the example of an opaque institutional field. To recall, the previous chapter on the literature review discussed how the term 'sustainability' has been understood with various vague meanings, which somehow deviate from its original meaning in the field of ecology (Milne and Gray, 2013). In a similar vein, Wijen (2014) argues that sustainability standards are an opaque field because 'observers have difficulty identifying the characteristics of the prevailing practices, establishing causal relationship between policies and outcomes, and measuring the exact results of policy implementation' (p. 302).

While Wijen (2014) uses sustainability standards as the example of an opaque field, Bromley and Powell (2012) provide a number of examples, such as the education field. Education is an opaque field because, to some extent, government regulations for education seem to be disconnected from the goals of effective education or learning. For instance, 'what is assessed [in 'testing and measurement' imposed by the regulations] may have little relationship to learning' (p. 499). Considering that the 'regulations themselves are based on a set of institutional beliefs located in society at large' (p. 499), schools accordingly attempt to

achieve the educational or learning goals based on those institutional beliefs. The way schools practise the policy imposed by the government regulations reflects a 'loose coupling' from the goals of education or learning (Rowan, 2006: 24). In other words, schools decouple means from goals, or in short, means-ends decoupling exists. According to Pache and Santos (2010), the apparent disconnection between means and ends occurs 'when *technical prescriptions* [e.g., the regulation of education in Bromley and Powell, 2012] are so institutionalised that they become ends in themselves' (p. 460, emphasis added).

As discussed earlier in this section, Oliver (1991) viewed policy-practice decoupling as a *strategic response* to institutional processes. This view is in line with the conception of decoupling by Meyer and Rowan (1977) in that organisations *deliberately* disconnect between the formal policies to obtain legitimacy and the practices that are maintained to be technically efficient. This implies that policy-practice decoupling is a conscious and intentional decision. However, Gondo and Amis (2013) posit that decoupling may also be unintentional. In a similar vein, Crilly et al. (2012) suggest that 'decoupling does not necessarily involve intent on the part of managers. Rather, decoupling can be the outcome of organisational *learning efforts* that are fraught with complexity under conditions of inconsistent and rapidly changing stakeholder pressures' (p. 1430, emphasis added).

'Unintentional decoupling' exists when 'acceptance of a practice' is high but the 'level of conscious reflection during implementation' is low (Gondo and Amis, 2013: 232). In other words, when organisations accept socially constructed rules, structures and policies, they often unconsciously overlook some changes or adjustments required to implement new institutions rather than intentionally avoiding them. Consequently, unintentional decoupling prevents organisations from realising the benefits of fully adopting the new institutions. It is a paradox that 'the very thing that makes a practice more easily accepted also reduces the conscious reflection needed to implement it' (Gondo and Amis, 2013: 230). From this

standpoint, means-ends decoupling (Bromley and Powell, 2012; Stål and Corvellec, 2021; Wijen, 2014) is more closely associated with unintentional decoupling (Gondo and Amis, 2013).

This part has discussed two types of institutional decoupling, namely policy-practice decoupling and means-ends decoupling. The discussion highlights that the former is more closely associated with intentional motivation whereas the latter is more unintentional. The next part discusses the reasons for institutional decoupling.

4.3.2.3. Reasons for Institutional Decoupling

It has been discussed in an earlier part that organisations opt to claim their conformity to institutional processes or pressures in the hope of being perceived as legitimate organisations, but organisations decide not to practice them for the purpose of maintaining their levels of autonomy and technical efficiency (Bromley and Powell, 2012; Meyer and Rowan, 1977). Therefore, the plausible reason for policy-practice decoupling is to balance the legitimacy need and internal technical efficiency in response to a dominant institutional pressure which conflicts with the organisations' internal objectives.

The reason for decoupling policy from practice, according to George et al. (2006), is to mitigate conflict with the stakeholders. Socially constructed rules, structures and policies that are not in line with organisations' internal objectives clearly indicate the presence of conflict, i.e., the interests of organisations and societal expectations are colliding. Therefore, decoupling is the way organisations 'compromise' in such a situation (Oliver, 1991).

Crilly et al. (2012) add another reason as to why policy-practice decoupling is possibly undertaken. Such decoupling is made possible due to information asymmetry. In this regard, organisations can claim the adoption of a formal policy but they actually do not implement it. It is not possible for stakeholders to closely observe the organisations' internal

operations to see whether or not the claim about policy adoption is fully and truly implemented. An empirical study by Luo et al. (2017) shows that companies in China decouple CSR disclosures from their actual performance by exploiting information asymmetry, because CSR reporting is not imposed and there are no penalties for non-compliance even though the central government has issued guidance for CSR disclosures.

Instead of having a dominant institutional pressure that is in conflict with the internal objectives (Bromley and Powell, 2012; Meyer and Rowan, 1977), Luo et al. (2017) collected empirical evidence of decoupling in China which was triggered by two conflicting pressures coming from Chinese local and central governments. On the one hand, the central government shifted the focus of development from achieving economic growth to a more balanced economic and social development by issuing CSR reporting guidelines. In this regard, the central government does not impose the reporting mandatorily, nor apply punishments for non-compliance. On the other hand, several provincial governments still prioritise economic growth while disregarding social development.

The study by Luo et al. (2017) found that public listed companies in China, which were impacted the most by those conflicting government agendas, quickly adopted CSR reporting but the reporting quality is poor. This is in contrast with Tolbert and Zucker's (1983) study that early adopters are less likely to engage in symbolic implementation as the decision to adopt new institutions usually comes from internal needs. The speed of CSR reporting's adoption reflects companies' response to institutional complexity (Greenwood et al., 2011) arising from two conflicting institutional pressures, from the provincial and central governments. As CSR reporting is expected, but not mandated, by the central government, companies respond to meet such an expectation by quickly producing CSR reports, but sacrificing the quality of the reports while aligning their internal operations to meet the

expectation of the provincial government regarding the companies' contribution to economic growth.

In the case of the conflicting expectations of stakeholders, as in the study by Luo et al. (2017), Crilly et al. (2012), in their empirical study, found that organisational responses tend to be 'muddling through' rather than 'faking it' (p. 1429). Muddling through, according to the Cambridge Dictionary (2020c), means that organisations attempt 'to manage to do something although [organisations] are not organised and do not know how to do it'. With regard to the organisations' muddling through responses to competing institutional pressures, Crilly et al. (2012) argue that 'firms decouple their behaviour from their stated commitments … as a result of *uncoordinated, exploratory* attempts to respond to diverse and conflicting demands' (p. 1443, emphasis added).

Crilly et al. (2012) sought to figure out the reason for divergent organisational responses to the same institutional pressure (i.e., why several organisations decouple policy from practice while their peers fully implement the policy). In their empirical study, Crilly et al. (2012) posit that organisational responses to institutional pressures would be dependent upon how managers perceive such pressures and view the prospect of the ongoing relationship with the stakeholders. When managers perceive institutional pressures as a threat to business continuity and personal career prospects, they are likely to exploit information asymmetry by decoupling the policy from the practice. However, when managers perceive them as an opportunity for organisational changes, managers are likely to reduce the information asymmetry by having more collaboration with the stakeholders on various issues that are deemed critical by both parties. For managers deciding to decouple policy from practice, Crilly et al. (2012) suggest that '[information] asymmetry is not an unmitigated blessing' (p. 1431). Once stakeholders discover the symbolic implementation, the organisation's reputation is in jeopardy or even its licence to operate may be cancelled.

An empirical study by Tashman et al. (2019) found that global stakeholders are aware of constraints being faced by the MNCs from emerging countries. They stereotype the companies' limited 'capacity to act legitimately when they expand abroad ... [and] achieve strong CSR performance' (p. 154). Global stakeholders believe that MNCs from emerging countries undertake 'robust CSR reporting without achieving commensurate levels of CSR performance' (p. 154) – an attempt to decouple disclosure from performance. This study implies that the increased global stakeholders' awareness is an alarm for exploiting information asymmetry through decoupling.

In the case of means-ends decoupling, Wijen (2014) highlights three possible barriers in opaque fields which contribute to means-ends decoupling. They are 'the lack of attention, the lack of motivation and the lack of knowledge' (p. 306). First, 'inability to assess the impact of their behaviour may induce [organisations] to be unaware of – and thus not to pay due attention to – critical drivers of compliant behaviour' (p. 306-307). Second, uncertainty and ambiguity, which are the nature of opaque fields, may also drive organisations to conduct a trial and error implementation, which constitutes the lack of knowledge. Consequently, organisations may decide to vicariously learn from other organisations by observing and selectively imitating their practices. Disconnection between means and ends, when there is a lack of knowledge, is likely due to copying 'wrong ... [and] counter-productive practices' (p. 307). Third, the lack of motivation is because organisational attempts to improve social and environmental conditions are not embodied in the products produced or services provided by the organisations, hence they not visible to the external stakeholders. In other words, organisations 'fly under the radar' which induces them to be less motivated (p. 307). As a result, organisations which lack motivation do not show their acquiescence to sustainability standards.

Gilbert et al. (2011) posit that 'what counts as appropriate behaviour in the light of *universal standards* can *differ* from *context to context*' (p. 38, emphasis added). This implies that sustainability standards should not be viewed as 'one size fits all' because different organisations may have different political, economic, social and cultural backgrounds, particularly those operating in different geographical locations. Wijen (2014) provides an illustration about a child labour ban by a sustainability standard. The prohibition of child labour is likely based on noble intentions. However, Wijen (2014) suggests that 'the involvement of children in economic activities may be regarded differently in (certain) African cultures than in Western countries' (pp. 311-312). In this case, Wijen (2014) cites a view of the child labour concerns from a farmer in Cameroon. The farmer does not consider the phenomenon in question as child labour but as 'household chores children do for their parents' (p. 312). From this point of view, a policy on child labour is perceived differently in different contexts, which contributes to the opacity of the field and a potential disconnection between the way the policy is implemented and the achievement of the goal of prohibiting child labour. In other words, means-ends decoupling has the potential to exist due to differences in economic, social, cultural, political and geographical contexts.

From the perspective of the Cameroon farmer in Wijen (2014), the institutional logic of child labour from a Western perspective conflicts with that from different economic, social, cultural, political and geographical backgrounds. As a result, child labour from a Western perspective or in the global context may be perceived conversely as a common, harmless and unquestionable practice in a local context (Khan et al., 2007). In this regard, organisations strive to 'translate' the child labour policy as outlined by sustainability standards into their local context. Sahlin and Wedlin (2008) posit that ideas at the field level need to be translated into the organisational level. As discussed in an earlier section, the translation of ideas at the field level potentially leads to heterogeneous practices at the organisational level.

At the organisational level, a formal policy on child labour is set following the process of translating the idea from the field level. Having set the policy, organisations attempt to implement it based on their understanding of the local context (Gilbert et al., 2011). However, the way organisations implement such a policy might be perceived as a violation of the commitment to eliminate child labour in accordance with Western perspectives or by using a universal lens in the global context. In fact, those organisations implement the policy based on different cultural expectations and their local context (Gilbert et al., 2011). Therefore, the same phenomena can be seen from different angles and interpreted differently when economic, social, cultural, political and geographical backgrounds are accounted for (Barkema et al., 2015; Foo, 2007; Tilt, 2016).

This part has discussed the reasons for institutional decoupling. The discussion highlights that policy-practice decoupling is undertaken to balance the need for legitimacy and internal technical efficiency and to mitigate conflict with stakeholders. The decoupling is made possible due to information asymmetry. Meanwhile, means-ends decoupling is undertaken due to a lack of attention, motivation and knowledge, as well as differences in economic, social, cultural, political and geographical contexts. The discussion also shows that decoupling is not without its risks. Once discovered, the organisation's corporate reputation is in jeopardy. The next section summarises this chapter.

4.4. SUMMARY

This chapter discussed the neo-institutional theory as the underpinning theory. It is used to provide a theoretical basis for the research's approach and to analyse the research findings. The discussion started with an early development of the theory that views institutions as socially constructed values, beliefs, norms and rules that produce stable, recurring and isomorphic organisational practices. When organisations in the same field attempt to

collectively rationalise a new idea, the ‘iron cage’ constrains and hinders organisations causing them to have different perspectives leading to taken for granted practices. Further development of the theory suggests that organisational practices can be heterogeneous due to the absence of the iron cage which enables idea contestation to take place. The heterogeneity of organisational practices is also the result of the process of idea translation from the field level to the organisational level.

A more contemporary conception of organisational fields suggests that a field is an arena for multiple forms of institutional logic to challenge one another. Conflicting forms of institutional logic can be triggered by incompatibility in their goals or means. Organisations may believe that the organisational goals are no longer in accordance with the current reality. In some cases, organisations may believe that current practices are no longer in accordance with organisational goals. As a result, a new institutional logic emerges and challenges the prevailing institutional logic. A dominant institutional logic would be the one that ‘wins’ a collective rationality process on a battlefield. The dominant institutional logic usually eliminates the non-dominant institutional logic. However, in some cases, both the dominant and non-dominant forms of institutional logic co-exist in the same field.

Institutional decoupling is another feature of the neo-institutional theory, which reflects a non-acquiescent response to institutional processes or pressures. Decoupling is basically an organisational response to an institutional pressure that conflicts with the organisation’s internal objectives, such as efficiency and autonomy. Decoupling is undertaken intentionally by creating and maintaining a gap between formal policy and actual practice, known as policy-practice decoupling. It is intentional because organisations exploit information asymmetry by making a claim about their conformity with the policy but do not practise it. Decoupling is, therefore, a compromise response which aims to balance their need for legitimacy and internal technical efficiency.

In some cases, decoupling is undertaken as a response to conflicting institutional pressures. In such situations, the response could be ‘muddling through’ rather than ‘faking it’. From this, decoupling could also be unintentional as an organisational learning process. Instead of intentional policy-practice decoupling, unintentional means-ends decoupling may emerge whereby organisations set a policy and practise it thoroughly, but the way the organisations practise it is perceived to not be in accordance with the goals of the policy. Lacking attention, motivation and knowledge, as well as differences in economic, social, cultural, political and geographical contexts may cause this type of decoupling.

CHAPTER 5

RESEARCH METHODOLOGY

5.1. OVERVIEW

This research methodology chapter outlines the selection of an approach to the research, which comprises of discussions about the research's paradigm, design and methods. The research paradigm in this thesis is pragmatism, which lies in a continuum between positivism and constructivism/interpretivism (the research paradigm of quantitative and qualitative research, respectively) (Creswell and Creswell, 2018). Pragmatism is a philosophical foundation for mixed methods in a research's design (Baker and Schaltegger, 2015). The data collection methods were a survey questionnaire, analysis of the sustainability reports and semi-structured interviews.

This chapter begins with a discussion of the research's paradigm in Section 5.2, which talks about the philosophical assumptions underlying this research. A review of the research's design follows the discussion of the paradigm. The remainder of the chapter is related to the research's methods, namely the data collection instruments, processes and analyses. The validity and reliability of the data, as well as the ethical issues, are also considered. Section 5.7 summarises this chapter.

5.2. RESEARCH PARADIGM

In undertaking research, researchers bring a philosophical view to their studies, which is known as the research paradigm (Molina-Azorin and Fetters, 2020). This is a set of assumptions that underlies the process of knowledge development (Bell et al., 2019). Creswell and Creswell (2018) call the research paradigm a worldview, which is 'a general philosophical

orientation about the world and the nature of research that a researcher brings to a study' (p. 44). The research paradigm is paramount in providing direction to the research's goals and outcomes (Creswell and Poth, 2018).

When conducting research, researchers have assumptions about its ontology, epistemology and axiology (Bell et al., 2019; Creswell and Creswell, 2018). *Ontologically*, social reality is multifaceted and complex in qualitative research, whereas in quantitative research it is believed that a concrete social world exists (Collins and Evans, 2017). *Epistemologically*, according to Hesse-Bibber et al. (2015: 5), the research's participants are considered as the 'experts', from which qualitative researchers study multiple subjectivities to understand a social phenomenon. Contrary to the qualitative research epistemology, researchers are the 'experts' in quantitative inquiries. They undertake objective scientific inquiries aimed at discovering 'the truth' to predict or uncover a social phenomenon. *Axiologically*, the personal values of researchers in qualitative research are bound by the research process, hence this results in subjective interpretations. In contrast, axiological assumptions in quantitative research are value-free, so the research processes are free from the researchers' personal values, hence it tends to be more objective (Biddle and Schafft, 2015). From the ontology, epistemology and axiology of the qualitative and quantitative research discussed here, mixed methods research lies in a continuum of those two ends (Creswell and Creswell, 2018).

This research leans towards pragmatism, a philosophical foundation for mixed methods in the research's design (Baker and Schaltegger, 2015; Biesta, 2010; Creswell and Creswell, 2018). Pragmatism emanates from a thought that 'all human inquiry involves interpretation and imagination, intentions and values but must also necessarily be grounded in empirical, embodied experience' (Yardley and Bishop, 2008: 398). In this regard, pragmatism enables a study to gain advantages from both 'the scientific objective rigor of quantitative

approaches and the contextual, interrelational exploration offered by qualitative approaches' (Frost and Shaw, 2015: 383). However, Morgan (2014) posits that several researchers have simplified pragmatism by over emphasising it from the practical standpoint of what works and provides solutions to problems – hence, they 'reduce pragmatism [as a research paradigm] to practicality' (p. 1045). Morgan (2014) adds that, 'stating that pragmatism as a philosophy *goes beyond* problem solving is a key point' (p. 1046, emphasis added).

Pragmatism lies in a continuum between positivism (a philosophical foundation of quantitative research) and constructivism/interpretivism (a qualitative research worldview) (Creswell and Creswell, 2018). Being in the continuum implies that pragmatism does not focus heavily on building testable hypotheses, as in the positivism, nor the interpretation of subjective meanings from research participants as in the constructivism/interpretivism (Biesta, 2010). Instead, a pragmatic paradigm 'will use multiple methods of data collection to best answer the research question... will focus on the practical implications of the research, and will emphasise the importance of conducting research that best addresses the research problem' (Creswell and Poth, 2018: 64).

The important feature of pragmatism as a research paradigm is that it rejects the distinction between positivism and constructivism/interpretivism in terms of ontology, epistemology and axiology – the core of debates in the social sciences (Morgan, 2014). 'Pragmatism provides a basis for using mixed methods approaches as a *third alternative* – another option open to social researchers if they decide that neither quantitative nor qualitative research alone will provide adequate findings for the particular piece of research they have in mind' (Denscombe, 2008: 273-274, emphasis added). From this standpoint, pragmatism is an alternative paradigm to the positivism and constructivism/interpretivism (Greene, 2007).

Baker and Schaltegger (2015) suggest that pragmatism, as a philosophical foundation, shows promise in social and environmental accountability research (SEAR) and

stakeholder engagement in this area through 'the pragmatic ideas of *truth* and *sensemaking*' (p. 263, emphasis added). In line with Baker and Schaltegger's (2015) pragmatic ideas of *truth* and *sensemaking*, pragmatism in this research was chosen for two main reasons. First, a pragmatic paradigm does not view the 'truth' value of stakeholder engagement disclosures by how *accurately* they match the disclosure items outlined by a sustainability reporting framework, as in a *quantitative* inquiry. Instead, it goes by how 'complete and useful' they are for both companies and stakeholders (Manetti, 2011: 112). 'Pragmatism maintains a challenging, albeit liberating, view of truth, wherein the "truth" value of a statement resides *not in how accurately* it represents the external world *but rather in how useful* it is for enacting change' (Baker and Schaltegger, 2015: 265, emphasis added).

Second, a pragmatic paradigm goes *beyond* an 'interpretive' process which is commonly utilised in constructivism/interpretivism (Mertens and Tarsilla, 2015: 434). That is an interpretation process regarding how the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement, practise it in the context of sustainability reporting and disclose it in sustainability reports. Pragmatism in this research involves a 'sensemaking' process (Weick, 1995: 6) which, once again, goes beyond the interpretation utilised in constructivism/interpretivism. In the sensemaking process, 'several questions arise and have to be dealt with before interpretation even comes into play' (Weick, 1995: 15). This research adapts the sensemaking process by Weick (1995), as echoed by Baker and Schaltegger (2015).

By adapting Weick (1995), 'sensemaking [in this research] begins with the basic question, is it still possible [for the report preparers in Indonesia] to take [the global conception of stakeholder engagement in sustainability reporting] for granted? If the answer is no, ...then the question becomes, why is this so? What is next?' (p. 14). In the sensemaking process, the report preparers in Indonesia are unlikely to take the global conception for granted. The universal beliefs, norms, roles, and values about stakeholder engagement introduced by the

Global Reporting Initiative (GRI) may not be suited to Indonesia's politicoeconomic, sociocultural and legal contexts. In response, the report preparers are likely to adapt to – instead of adopting – the global conception when translating it into their local context. The adaptation may lead to a different perceived role of stakeholder engagement in sustainability reporting from the one suggested by the GRI. From this, stakeholder engagement may or may not be in accordance with the framework in a voluntary reporting setting – implying that the report preparers may or may not decouple stakeholder engagement disclosure from practice. Having dealt with this sensemaking process, the interpretation process can proceed by understanding 'the flux of processes, experiences and practices' (Saunders et al., 2016: 136) in the Indonesian politicoeconomic, sociocultural and legal contexts.

This section has discussed the research paradigm, which leans towards pragmatism. The discussion shows that pragmatism fits with mixed methods research for the research's design. The next section discusses the research design further.

5.3. RESEARCH DESIGN

Research designs are types of inquiries that can be classified into quantitative, qualitative and mixed methods (Bell et al., 2019; Creswell and Creswell, 2018). As discussed previously, this research uses mixed methods where pragmatism is the research philosophy or paradigm. Mixed methods research is an 'inquiry that focuses on collecting, analysing and mixing both quantitative and qualitative empirical materials in a single study' (Denzin, 2012: 82).

Figure 5.1 shows the research design which incorporates Dewey's (2008) pragmatic model of experience in the process of inquiry, as echoed by Morgan (2014). In this regard, 'experiences create meaning by bringing beliefs and actions in contact with each other... Beliefs must be interpreted to generate actions, and actions must be interpreted to generate

beliefs' (Morgan, 2014: 1046). The inquiry does not involve a step-by-step linear process but a continuous one which may include a number of belief-action cycles prior to any sense of a solution being found. From the belief-action cycles, the outcome of the inquiry is an action that serves as the basis for a belief (Morgan, 2014).

Pragmatism in mixed methods research 'starts with a problem and aims to contribute practical solutions that inform future practice' (Saunders et al., 2016: 143). Therefore, Figure 5.1 starts with a problem statement reflecting a belief about the presence of a gap between what the stakeholders expect to see and what companies disclose in their sustainability reports (see Adams, 2004; Deegan and Rankin, 1999; Mitchell and Hill, 2010; Parvez et al., 2019). The expectation gap is evident in Deegan and Rankin's (1999) study of Australia's corporate environmental reporting. Meanwhile, a study by Mitchell and Hill (2010) found an expectation gap existed in South Africa's corporate social and environmental reporting. Likewise, Naynar et al. (2018) found the same gap in South Africa's integrated reporting 'because companies do not fully understand what information is valued by their stakeholders' (p. 241). The expectation gap is also evident in the greenhouse gas emission disclosure by cities via the Carbon Disclosure Project (CDP), as reported by Parvez et al. (2019).

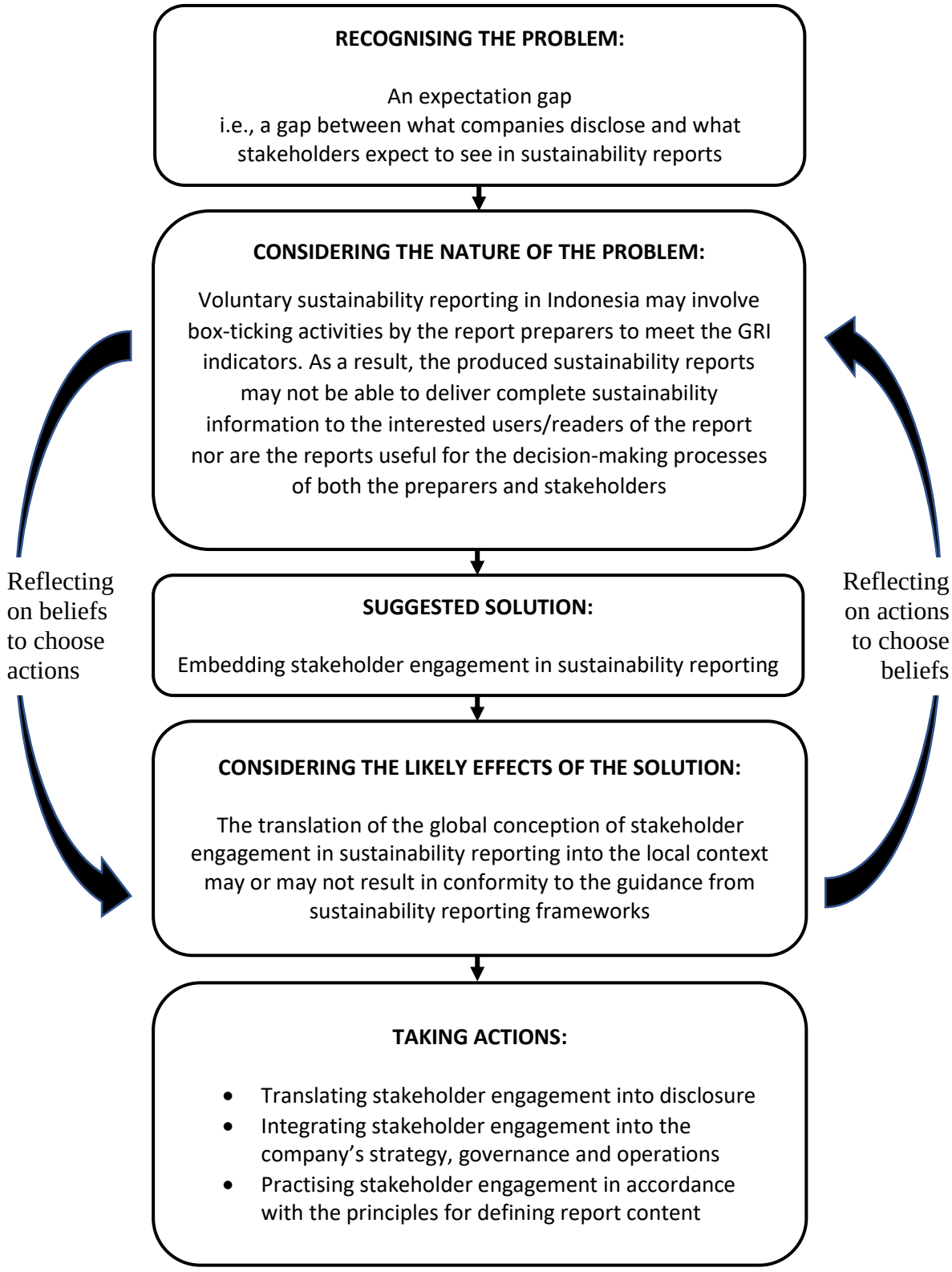
In the context of Indonesia's sustainability reporting, a study by Gunawan (2010) revealed that an expectation gap has developed after surveying stakeholders and analysing companies' sustainability disclosures. More recently, Gunawan (2021) has reported that the expectation gap remains present since the report preparers in Indonesia seem to be symbolically meeting sustainability indicators by demonstrating favourable information while hiding any that may be unfavourable. Consequently, the produced sustainability reports are perceived to lack completeness and usefulness (Adams, 2004; Hahn and Lülfs, 2014; Manetti, 2011). Based on its politicoeconomic, sociocultural and legal backgrounds, Indonesia provides a suitable

context for the study. In the politicoeconomic context, the growing democratisation in the country's reform era is supposedly opening up dialogic stakeholder engagement in sustainability reporting. In the sociocultural context, however, local people living below the poverty line (with lack of formal education and knowledge of corporate sustainability) may be unable to convey their views. Therefore, the local people's expectations are less likely to be reflected in the company's sustainability report, unless their interests are echoed by another stakeholder group, e.g., non-governmental organisations (NGOs) and the media. As a matter of fact, this vulnerable stakeholder group is commonly impacted by companies' sustainability issues in Indonesia (Cahyadi and Waibel, 2016). In the legal context, ministerial CSR regulations in Indonesia do not require stakeholder engagement when compiling CSR/sustainability reports – hence, the stakeholders' expectations may not be portrayed in the report.

Choosing pragmatism as a paradigm allows this research to move back and forth in the belief-action cycle as outlined earlier (Morgan, 2007). The belief-action cycle arrives at a sensible (proposed) solution for narrowing down the disclosure-expectation gap, which is by embedding the stakeholder engagement in the sustainability reporting. This can be undertaken by translating stakeholder engagement into disclosure; integrating stakeholder engagement into the company's strategy, governance and operations; and practising stakeholder engagement in accordance with the principles for defining report content.

In the belief-action cycle, it is also believed that attempts to embed stakeholder engagement in voluntary sustainability reporting may or may not conform to the guidance from sustainability reporting frameworks. This is because the global conception of stakeholder engagement introduced by the frameworks needs to be adapted to Indonesia's politicoeconomic, sociocultural and legal contexts – as discussed in the earlier section.

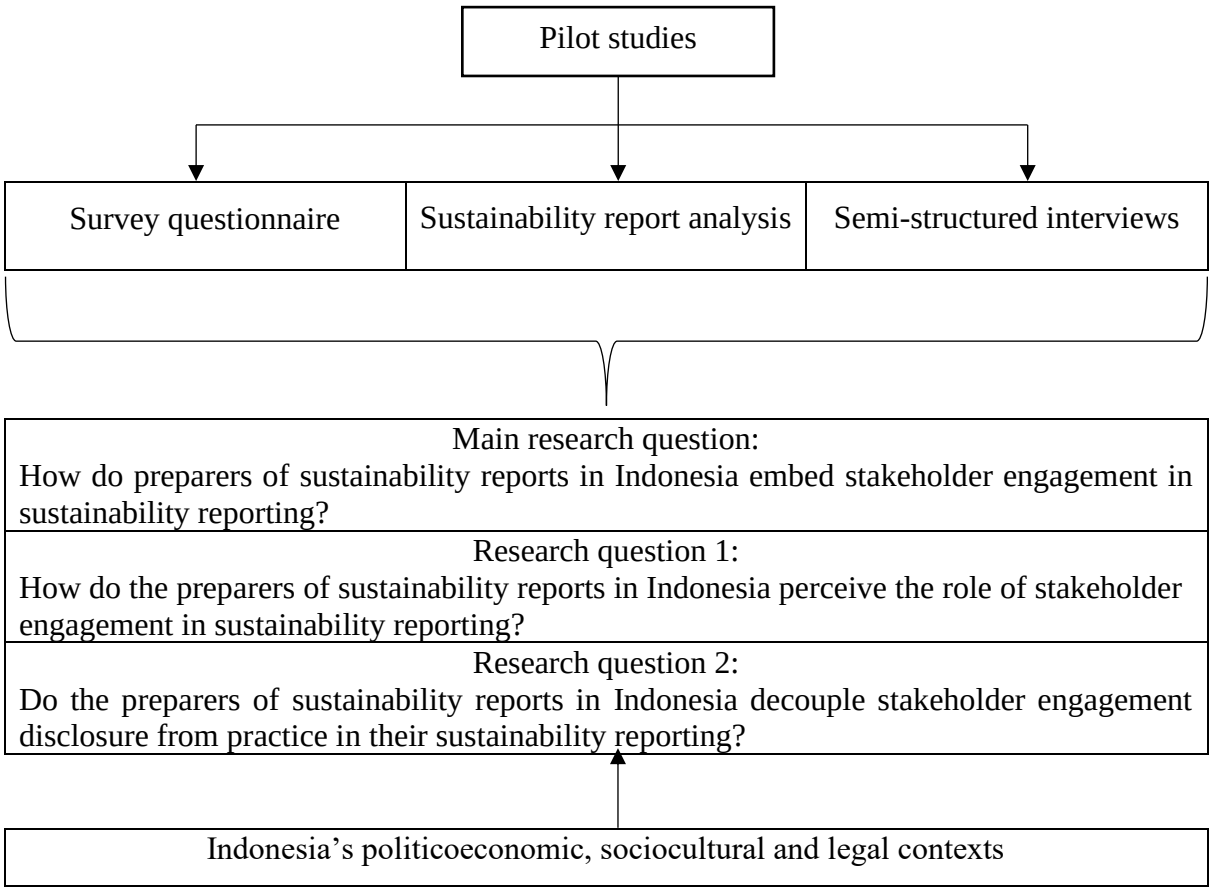
Figure 5.1
The Research Design Incorporating Dewey's (2008) Model of Inquiry



Source: Adapted from Morgan (2014: 1048)

The focus of inquiry lies in the perceived role of stakeholder engagement in sustainability reporting by the report preparers in Indonesia and whether or not they decouple the stakeholder engagement disclosures from actual practice – the first and second research questions in this research, respectively. This is not to mention how the report preparers in Indonesia embed stakeholder engagement in sustainability reporting – the main research question. Mixed methods research has been used to answer the research questions. This research utilises and places a relatively equal emphasis on a survey questionnaire, sustainability reports and semi-structured interviews to answer each research question. Figure 5.2 shows the inquiry process.

Figure 5.2
The Inquiry Process



The inquiry process started from analysing sustainability reports produced by four award-wining companies in sustainability reporting; hence, they were perceived as having best practices. This initial process helped construct the questions in the survey questionnaire – along with the extant literature and the underpinning theory. In the survey, respondents were asked if they wished to be interviewed by stating their email addresses in the questionnaire. The number of respondents interviewed and sustainability reports analysed were determined by the responses to the survey. The interviewees were the sustainability report preparers who responded to the survey. This enabled the interviews to further probe the questions that appear in the survey questionnaire (Qian et al., 2020) and statements in the companies' sustainability reports (Searcy and Buslovich, 2014). There were 15 respondents interviewed, and their companies' sustainability reports from 2007 to 2018 were studied (a longitudinal study of 120 sustainability reports). The questionnaire was analysed using descriptive statistics. Sustainability reports were analysed using content analysis. Semi-structured interviews were analysed using thematic analysis. A full consideration of Indonesia's politicoeconomic, sociocultural and legal contexts was provided to answer the research questions. This research condensed the findings from both quantitative and qualitative enquiries to deliver a comprehensive evaluation of the research problem (Creswell and Creswell, 2018: 52). Where inconsistencies or contradictions in the research's findings were found in the qualitative and quantitative data, they were justified or further probed (Voils et al., 2008).

Bryman (2012) posits that mixed methods research places a relatively equal emphasis on the quantitative and qualitative inquiries – this distinguishes it from multiple methods research. 'The quantitative and the qualitative data deriving from mixed methods research should be *mutually illuminating*' (p. 628, emphasis added). The term 'mutually illuminating' in mixed methods research implies that both quantitative and qualitative inquiry processes should feature relatively equally in answering the research question. In multiple

methods research, however, emphasis is given to a single method (either quantitative or qualitative) whereas the other method only supplements it. For example, a doctoral thesis by Narayanan (2013) used multiple methods with an emphasis on qualitative inquiry. Therefore, constructivism was the chosen research philosophy. 'The *main* method for the data collection was face-to-face interviews, *supplemented* by documentary evidence and a questionnaire survey, administered within the case organisations' (p. 60, emphasis added).

This section has discussed the research's design. The discussion reveals that this research uses a mixed methods design that emphasises both the quantitative and qualitative inquiry processes relatively equally to answer the research questions. The next section discusses the systematic inquiry process, known as the research methods. It discusses the instruments used for the data collection, processes and analyses.

5.4. DATA COLLECTION INSTRUMENTS, PROCESSES AND ANALYSES

As stated previously, this research uses mixed methods – meaning that it employs more than one instrument to collect both quantitative and qualitative data, with a relatively equal emphasis on both inquiry processes. The data collection instruments employed in this research were a survey questionnaire, sustainability reports and semi-structured interviews.

5.4.1. Survey Questionnaire

A survey questionnaire was initially prepared in English as a Microsoft Word document and revised several times during supervisory meetings. The questions in the questionnaire were formulated from initial observations of the stakeholder engagement disclosures in 36 sustainability reports, produced by four companies that were perceived as having best practices. For a similar reason to that of O'Dwyer and Owen (2005), the four companies were chosen because they won awards at the Indonesia Sustainability Reporting

Award (ISRA) between 2008 and 2016 (for their sustainability reports issued between 2007 and 2015). A version of the questionnaire, approved by the research's supervisors, was translated into the Indonesian language using a Google Forms platform (https://goo.gl/forms/Kf1i1C0lGfI1PdPa2). Appendix 1 shows the approved English version in Microsoft Word format.

A pilot study was undertaken to ensure that all the questions were understandable by the targeted respondents (sustainability reporting managers or those in an equivalent position). In the pilot study, the questionnaire link stated above was sent via email to the four companies constituting best practices in Indonesia, but only one company responded and provided feedback. The respondent suggested resending the link to the questionnaire to a personal email address, because the corporate email address may have prevented the link being opened, to avoid potential internet-related threats. The respondent also stated that question number 10 was rather confusing so it was redesigned. The response from this respondent was included in the questionnaire's analysis.

Seven out of the 18 questions in the questionnaire were in the form of a 7-point Likert scale. Prior studies had also used a 7-point Likert scale (e.g., Pan and Patel, 2017; Cho et al., 2009). Krosnick and Presser (2010) have shown there is no agreement among scholars about the number of points on a Likert scale that offer the most reliability and validity. In addition to the Likert style questions, the questionnaire also had other types of questions: yes/no (three questions), multiple choice (five questions), checkboxes (two questions) and ranking (one question). At the end of the questionnaire, the respondents were asked if they wished to participate in interviews, if so they were asked to list their email addresses for further correspondence. The pilot study's respondent expressed a willingness to be an interviewee.

Voluntary sustainability reporting in Indonesia is undertaken by both listed and non-listed companies. To capture this, the questionnaire's link was sent to all the companies listed

on the Indonesia Stock Exchange (IDX) as of 31 December 2016 (https://www.idx.co.id). The data collection process started in 2017. In that year, the most up-to-date data about listed companies on the IDX were those on the list as of 31 December 2016. The link was also sent to non-listed companies that were traced by their participation in the ISRA from 2008 to 2016 (previously at http://sra.ncsr-id.org but now at https://www.ncsr-id.org). Based on the availability of data in the ISRA website, which was accessed in 2017, the non-listed companies included in the questionnaire survey were based on a criterion that they at least participated in the ISRA once between 2008 and 2016. Table 5.1 shows the criteria for companies included in the questionnaire's survey.

Table 5.1
Companies in the Questionnaire Survey

Description		Total
A	Total number of companies listed on the IDX as of 31 December 2016 which never participated in the ISRA between 2008 and 2016	481
B	Total number of companies listed on the IDX as of 31 December 2016 which participated at least once in the ISRA between 2008 and 2016	38
C	Total number of non-listed companies which participated at least once in the ISRA between 2008 and 2016	63
D	Subtotal (A+B+C)	582
E	Total number of foreign companies which participated at least once in the ISRA between 2008 and 2016	6
F	Total companies included in the questionnaire survey (D-E)	576

Following the pilot study, the final version of the questionnaire's link was sent to 576 email addresses (see point F in Table 5.1). Efforts to improve the response rate were undertaken, such as sending reminders periodically and hand-delivering the questionnaire during the ISRA in 2018 (similar efforts were undertaken in a study by Riaz et al., 2017). Gentle reminders were sent via email approximately every two weeks over a period of three months. Due to the limit on sending emails per day (i.e., 200 emails per day), 576 emails were sent over three consecutive days. The number of completed questionnaires, received via Google Forms, totalled 45 at the end of the survey's deadline.

At the ISRA, participating companies generally send their sustainability reporting managers. If a participating company sent more than one staff member, a printed Microsoft Word version (hardcopy) of the questionnaire was put inside one folder that belonged to a sustainability reporting manager, corporate secretary or an investor relations manager of the company – as they were typically found in sustainability reports' contact information. The names of the attendees and their position in the company were printed on every folder by the ISRA event committee, which made the process quite easy. A member of the event committee assisted with the placement of hardcopies of the questionnaire into the participants' folders (i.e., one company received one hardcopy of the questionnaire in a folder along with the ISRA materials – following the criteria of companies as outlined in Table 5.1). The event committee announced that a questionnaire survey was being undertaken when the ISRA was about to start and reminders were announced during coffee breaks. Participants who received the hardcopies of the questionnaire were kindly asked to complete and return them to the registration desk either during the lunch break or at the end of the event, but by the evening at the latest, except for those who believed their company had already completed the survey via Google Forms.

In total there were 46 hardcopies presented to participants at the ISRA, but two copies were not returned while 17 others were returned but found to be incomplete, hence they were not included in the analysis. Only 27 copies were complete and fit for analysis. In addition to the delivery of the hardcopies, one survey respondent requested a softcopy in Microsoft Word format, in Indonesian, due to a technical difficulty accessing the link, as identified in the pilot study. This completed softcopy questionnaire was received before the ISRA finished and was included in the analysis. In total there were 73 responses (i.e., 45 via Google Forms, 27 hardcopies and 1 softcopy) to the questionnaire survey, amounting to a 12.7 per cent response

rate (i.e., 73 responses out of the 576 targeted respondents)[5]. Table 5.2 shows the demographic characteristics of respondents.

There were 55 respondents at the middle management level. The names for this management position varied, such as the corporate social responsibility (CSR) manager, the head of the CSR department, corporate communications manager, sustainability reporting manager, public relationship manager and stakeholder relationship officer. Nine respondents were at the top level of management in their companies, such as a director or vice president who are responsible for CSR, corporate communications, stakeholder relationships or sustainability reporting. The other respondents included two assistant managers in CSR/sustainability reporting that were classified as lower level management.

Seven corporate secretaries also responded to the survey. According to Financial Services Authority Regulation No. 35/POJK.04/2014 concerning Corporate Secretaries of Listed or Public Companies, a corporate secretary is a high level administrative position in a company and is appointed by the board of directors to represent the company in its relationship with its stakeholders and also to ensure regulatory compliance and promote good corporate governance. From this standpoint, the position of corporate secretary in this research is excluded from top level management and two other management levels.

[5] The response rate of 12.7 per cent might be considered low. However, prior surveys researching accounting also had low response rates, for example Barrainkua and Espinosa-Pike (2015) with only 9 per cent. Baruch (1999) and Baruch and Holtom (2008) argue that one of many possible reasons for the low response rate to a survey is the failure to deliver questionnaires to the targeted respondents. After consultations with the IT service at Durham University Business School, a possible cause was because the respondents' email systems prevented the respondents opening a perceived suspicious link from 'sent to many' emails, or automatically blocked or moved emails containing such a link into a spam or junk folder.

Table 5.2
Summary of Demographic Characteristics of the Questionnaire's Survey Respondents

Demographic Variables	Google Forms Responses	Hardcopy and Softcopy Responses	Total Responses
Position			
▪ Top level management	7	2	9
▪ Middle level management	32	23	55
▪ Lower level management	2	0	2
▪ Corporate secretary	4	3	7
Total	45	28	73
Sex			
▪ Male	30	23	53
▪ Female	15	5	20
Total	45	28	73
Age			
▪ 20-29 years	1	0	1
▪ 30-39 years	10	4	14
▪ 40-49 years	24	17	41
▪ 50-59 years	10	7	17
▪ 60-69 years	0	0	0
▪ 70 years or more	0	0	0
Total	45	28	73
Education Level			
▪ Elementary/high school	0	0	0
▪ Diploma	1	0	1
▪ Bachelor's degree	24	21	45
▪ Master's degree	18	7	25
▪ Doctoral degree	2	0	2
Total	45	28	73
Education Field			
▪ Accounting	9	10	19
▪ Management	10	6	16
▪ Economics	4	3	7
▪ Others	22	9	31
Total	45	28	73
Experience			
▪ Less than 5 years	11	6	17
▪ 5 – 9 years	18	14	32
▪ 10 – 19 years	14	7	21
▪ 20 years or more	2	1	3
Total	45	28	73

Of the 73 respondents to the survey, 53 were male and 20 were female. There was one respondent aged between 20 and 29 years old, 14 respondents were between 30 and 39 years old, 41 respondents were between 40 and 49 years old and 17 respondents were between 50 and 59 years old. With regard to their highest level of education, one respondent was at the diploma level, 45 respondents held bachelor's degrees, 25 respondents earned master's degrees and two respondents had doctoral degrees. The top three fields of study were accounting, management and economics. Three survey respondents had experience in the CSR/sustainability reporting area for 20 years or more, 21 respondents were in the field for between 10 and 19 years, 32 respondents had five to nine years of work experience in this area and 17 respondents had less than five years experience.

A descriptive statistics analysis was used to analyse the 73 responses to the questionnaire survey. This is a statistical analysis to describe, show or summarise the collected data from the survey in a meaningful way, so that patterns might emerge from the data (Anderson et al., 2020). Data are presented in tables or graphs by incorporating measures of central tendency, such as the median and mean as well as a measure of the spread, such as the standard deviation (Field, 2018).

This subsection discussed the data collection process and analysis for the survey questionnaire. The survey was undertaken via a Google Forms' link sent by email, hardcopies that were hand-delivered at the ISRA event and a softcopy sent via email. There were 73 responses in total, amounting to a 12.7 per cent response rate. The survey responses were analysed by using a descriptive statistics analysis. The next subsection discusses the data collection process and the analysis of the sustainability reports.

5.4.2. Sustainability Reports

To reiterate, a pilot study comprising of 36 sustainability reports, issued by four perceived best practices companies in Indonesia, was initially used to shape the questions in the survey questionnaire. Following up on the survey responses, the total number of companies which participated in the interviews and were included in the analysis of the sustainability reports was 15 companies. The total number of companies stated here included three out of the four perceived best practices companies.

To better capture the phenomenon being studied, the sample size needs to be sufficiently large (Creswell and Poth, 2018). Therefore, the analysis of the sustainability reports issued by 15 companies did not only include reports written in English, but also Indonesian and there were some bilingual reports. The period of observation runs from 2007 to 2018. There were 120 sustainability reports included in the analysis. Table 5.3 shows the characteristics of sustainability reports being studied.

The table shows that the number of sustainability reports tended to increase over time, indicating that sustainability reporting slowly gained acceptance in Indonesia. Fluctuations in the trend reflect voluntary sustainability reporting in the country during the observation period of this research. Indonesia's Corporation Law No. 40 of 2007 requires companies carrying business activities in the field of and/or related to natural resources to disclose their social and environmental responsibilities in their annual reports[6]. Therefore, the issuance of a standalone sustainability report is considered to be a voluntary action, in the context of this research. Looking at the length of the reports, they are between 28 and 697 pages long, with 141 pages being the average. This confirms a study by Parker (2005) and Bachoo et al. (2013) that corporate social and environmental disclosures tend to be voluminous.

[6] Despite their importance, annual reports lack the disclosures on stakeholder engagement (i.e., the focus of this research). Since stakeholder engagement disclosures are found in sustainability reports (Bellucci and Manetti, 2019) the analysis is conducted on these reports.

Table 5.3
Characteristics of Sustainability Reports Being Studied

Characteristics	Total
1. Year of Publication	
-2007	5
-2008	5
-2009	7
-2010	9
-2011	9
-2012	11
-2013	14
-2014	12
-2015	14
-2016	12
-2017	11
-2018	11
TOTAL	120
2. Language	
-Indonesian	17
-English	24
-Bilingual	79
TOTAL	120
3. Length (Number of Pages)	
- Average	141
- Minimum	28
- Maximum	697

Characteristics		Total
4. Reporting Framework Used		
*Global Reporting Initiative (GRI)		
-GRI	7	
-GRI G3	16	
-GRI G3.1	18	
-GRI G4	43	
-GRI Standards	12	
SUBTOTAL		96
*Multiple Reporting Frameworks		
-GRI G3.1 and AA1000SES	4	
-GRI G4 and AA1000SES	10	
-GRI G4 and SASB	1	
-GRI Standards and AA1000SES	2	
-GRI Standards and POJK	3	
-GRI Standards, SASB and POJK	2	
SUBTOTAL		22
*No Reference	2	
SUBTOTAL		2
TOTAL		120

The table shows that there were 79 bilingual reports, 24 reports in English and 17 in Indonesian. Indonesian is the national language whereas English is widely used in large companies, such as those listed on the IDX. Bilingual reports seem to address accessibility issues by facilitating the information needs of Indonesian stakeholders without English literacy and foreign stakeholders without Indonesian literacy, in one report. In a similar vein, a bilingual report found in a study of online sustainability reporting by Hong Kong universities 'would make it accessible to Chinese stakeholders without English literacy' (An et al., 2019: 9).

There are 96 reports compiled with reference to the GRI guidelines and standards. Besides these, there are 22 reports using multiple reporting frameworks, i.e., GRI and other reporting frameworks, such as the AccountAbility 1000 Stakeholder Engagement Standard (AA1000SES), the Sustainability Accounting Standards Board (SASB), and Financial Services Authority Regulation No. 51/POJK.03/2017 on mandatory sustainability reporting (POJK 51/2017 for short). Five of the companies being studied voluntarily adopted POJK 51/2017 even though its implementation started in 2019 (the initiation period varies depending upon company characteristics). Two reports do not disclose any references to a reporting framework. From this finding, GRI seems to be the most popular reporting framework in Indonesia. Jones et al. (2016) posit that 'the success and wide-spread adoption of the GRI reporting framework can be attributed to a number of factors, namely, first mover advantage, stakeholder development, sector sensitivity, continuous improvement, a materiality-driven approach and compatibility' (p. 223).

Table 5.4 shows the characteristics of the sustainability report-issuing companies being studied. Among the 15 companies participating in the interviews—14 of which are large and only one is small based on Law No. 20 in 2008 concerning Micro, Small and Medium-sized Enterprises (MSMEs) in Indonesia—11 companies are listed on the IDX, eight companies are mostly owned by the Government of Indonesia (i.e., state-owned enterprises or SOEs), and three companies were the winners of the ISRA in the periods between 2008 and 2016.

Large companies, particularly those operating in socially and environmentally sensitive industries and are listed on the stock market, have greater incentives to preserve their reputations by reporting their social and environmental credentials to their stakeholders than their small and medium counterparts do (Dissanayake et al., 2016; Schreck and Raithel, 2018). That is because they are subject to public scrutiny and face stronger pressure to meet the

informational needs of their stakeholders about their social and environmental impacts and responsibilities (Camilleri, 2015; Dienes et al., 2016). Argento et al. (2019) found that greater sustainability disclosures are more associated with large SOEs than their smaller counterparts. Meanwhile, award-winning companies are perceived as having the best reporting practices by other companies (Amran and Haniffa, 2011).

Companies being studied operated in a wide range of business sectors, namely mining (seven companies), agriculture (two companies), banking (two companies), automotive (one company), cement (one company), telecommunications (one company) and pharmaceuticals (one company). Alonso-Almeida et al. (2014) posit that sustainability reporting tends to be voluntarily undertaken by companies operating in socially and environmentally sensitive business sectors. 'A company in a substantially environmental and/or socially exposed sector will be given special attention by the government and will try to answer those government pressures by disseminating its sustainability information' (Gillet-Monjarret, 2015: 96).

The sustainability reports being studied were obtained from the companies' websites. Several reports could not be downloaded from the companies' websites but they were obtained from the GRI database's website (https://database.globalreporting.org/). This research did not examine company websites nor social media. That was because an examination of their websites or social media is usually only undertaken when the case study is for a company-specific sustainability issue (see, for example, Arora and Lodhia, 2017 for BP; Hogan and Lodhia, 2011 for BHP Billiton; Unerman and Bennett, 2004 for Shell).

Table 5.4
Characteristics of Companies Issuing Sustainability Reports Being Studied

Company	Business Sector	Winner/ Non-Winner in the ISRA	Listed/ Non-Listed Company on the IDX	State-Owned/ Private Company	Size^	Total Reports	Reporting Period and the Language Used in the Reports (B, E, I)*											
							'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18
COMP1	Mining	Winner	Listed	State-owned	Large	12	E	B	B	B	B	B	B	B	B	B	B	B
COMP2	Automotive	Non-Winner	Listed	Private	Large	12	B	B	B	B	B	B	B	B	B	B	B	B
COMP3	Mining	Non-Winner	Listed	State-owned	Large	12	B	B	B	B	B	E	B	B	B	B	B	B
COMP4	Pharmaceutical	Non-Winner	Non-Listed	State-owned	Large	6							B	I	I	E	E	I
COMP5	Banking	Non-Winner	Listed	Private	Large	9				B	B	B	B	B	B	B	B	B
COMP6	Agriculture	Non-Winner	Non-Listed	Private	Small	1									E			
COMP7	Agriculture	Non-Winner	Listed	Private	Large	6				B	B	B	B	B	B			
COMP8	Mining	Non-Winner	Listed	Private	Large	6							E	B	B	B	B	B
COMP9	Cement	Non-Winner	Listed	Private	Large	7						B	B	B	B	B	B	B
COMP10	Telecommunications	Winner	Listed	State-owned	Large	10	B	B	B	B	I	E	E	B	B	B		
COMP11	Mining	Non-Winner	Listed	State-owned	Large	10			B	B	E	E	E	I	E	I	I	I
COMP12	Banking	Non-Winner	Listed	State-owned	Large	10			B	B	B	B	I	I	I	E	E	E
COMP13	Mining	Non-Winner	Non-Listed	State-owned	Large	4							I		I	I		I
COMP14	Mining	Winner	Listed	State-owned	Large	12	E	E	E	E	E	E	E	E	B	B	B	B
COMP15	Mining	Non-Winner	Non-Listed	Private	Large	3						I	I				E	
Reports in English						24	2	1	1	1	2	4	4	1	2	2	3	1
Bilingual Reports						79	3	4	6	8	6	6	7	8	9	8	7	7
Reports in Indonesian						17	0	0	0	0	1	1	3	3	3	2	1	3
Total Reports						120	5	5	7	9	9	11	14	12	14	12	11	11

Notes: * B = Bilingual reports; E = Reports in English; I = Reports in Indonesian

^ Based on the Law No. 20 in 2008 concerning MSMEs in Indonesia:

- micro companies have maximum assets of IDR 50 million and maximum revenue of IDR 300 million
- small companies have maximum assets of IDR 500 million and maximum revenue of IDR 2.5 billion
- medium companies have maximum assets of IDR 10 billion and maximum revenue of IDR 50 billion
- large companies have assets above IDR 10 billion and revenue above IDR 50 billion

A longitudinal study of stakeholder engagement disclosures in the 2007 to 2018 sustainability reports was undertaken by using content analysis. Content analysis is defined as 'a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use' (Krippendorff, 2013: 24). Content analysis has been widely used in sustainability reporting research (see, for example, Bellucci et al., 2019; Beske et al., 2020; Puroila and Mäkelä, 2019). The analysis is typically undertaken with a quantitative approach, such as counting the occurrence of words (Neuendorf, 2017). However, the content analysis in this research was conducted by developing a binary stakeholder engagement disclosure index, which was constructed from sustainability reporting frameworks and prior studies (see Bellucci et al., 2019; Beske et al., 2020). Appendix 2 shows the development of the disclosure index. In addition, samples of the texts, obtained by close reading of the stakeholder engagement disclosures being studied (Puroila and Mäkelä, 2019), were provided to demonstrate the evidence in support of the result of the content analysis.

This subsection discussed a method for the data collection through analysing the sustainability reports. The discussion shows that content analysis was used to analyse the content of 120 sustainability reports, especially their stakeholder engagement disclosures. The following subsection discusses the data collection process and analysis through the semi-structured interviews.

5.4.3. Semi-Structured Interviews

As outlined previously, this research also used interviews as a data collection instrument to follow up the questionnaire survey's responses. The total number of survey respondents who voluntarily declared themselves willing to participate in the interviews was 18. However, only 15 of them were able to be contacted and then interviewed. The other three respondents could not be contacted via the email address they provided in the survey, hence

their interviews were unable to be scheduled. Table 5.5 shows the demographic characteristic of the respondents participating in the interviews.

Interviews in accounting research are undertaken primarily when researching the ethical aspects or non-financial dimensions of accounting (Parker and Roffey, 1997). They are a form of engagement research approach (Adams and Larrinaga, 2019) which aims to collect rich data from people who are deemed knowledgeable about the phenomenon being studied (Parker and Northcott, 2016). More specifically, this research used semi-structured interviews – a type of interview which allows an interviewer to ask further questions to an interviewee, beyond the questions stated in the interview guide (Bell et al., 2019).

In this research, semi-structured interviews were undertaken to achieve a greater understanding and discover unexpected information on the topic being studied, from the Indonesian report preparers' standpoints. Bouten and Everaert (2015) used semi-structured interviews to obtain their interviewee's personal and subjective standpoints about the organisational phenomenon being researched. Semi-structured interviews may also amplify the insights from other sources of data (Passetti et al., 2014).

The respondents participating in the interviews were managers who were responsible for CSR or sustainability reporting. Their positions ranged from lower-level to top-level management in the companies they worked for. 'Engaging with managers can extend the understanding of the reporting process and the rationales for it' (Higgins et al., 2015: 448). Four interviewees have worked in the field for less than five years whereas 11 interviewees have worked for between 5 and 9 years. Nine interviewees were male whereas six interviewees were female. With regard to their ages, two interviewees were between 30 and 39 years old, seven interviewees were between 40 and 49 years old and six interviewees were between 50 and 59 years old.

Table 5.5
Demographic Characteristic of Respondents Participating in Interviews

Interviewees	Position	Sex	Age	Education Level	Education Field	Work Experience in CSR/SR*	Date of Confirmation	Date of Interview	Length of Interview
COMP1	Public Relations Manager	Female	30-39 Years Old	Master's Degree	Management	5-9 Years	10th May 2017	1st March 2018	39 minutes
COMP2	Head of Environmental and Social Responsibility Division	Male	50-59 Years Old	Bachelor's Degree	Statistics	Less than 5 Years	3rd January 2018	14th March 2018	61 minutes
COMP3	Director of Human Resources and General Affairs	Male	40-49 Years Old	Bachelor's Degree	Engineering	5-9 Years	16th February 2018	8th March 2018	51 minutes
COMP4	Head of Corporate Communications	Female	40-49 Years Old	Master's Degree	Communication Science	5-9 Years	8th January 2018	26th February 2018	58 minutes
COMP5	CSR Head & Corporate Communications Secretary	Male	50-59 Years Old	Bachelor's Degree	Philosophy and Theology	5-9 Years	28th November 2017	24th February 2018	50 minutes
COMP6	Chief Executive Officer	Female	50-59 Years Old	Doctoral Degree	Agriculture	5-9 Years	15th January 2018	9th March 2018	44 minutes
COMP7	CSR Programme Officer	Male	30-39 Years	Master's Degree	Management	5-9 Years	19th January 2018	22nd February	52 minutes
COMP8	Head of Quality Environment Health and Safety Division	Male	50-59 Years Old	Bachelor's Degree	Accounting	5-9 Years	22nd February 2018	14th March 2018	48 minutes

Interviewees	Position	Sex	Age	Education Level	Education Field	Work Experience in CSR/SR*	Date of Confirmation	Date of Interview	Length of Interview
COMP9	CSR Manager	Male	50-59 Years	Bachelor's Degree	Economics	Less than 5 Years	20th February 2018	13th March 2018	32 minutes
COMP10	Assistant Vice President Reporting & Compliance	Female	40-49 Years	Master's Degree	Accounting	5-9 Years	10th May 2017	12th March 2018	59 minutes
COMP11	Division Head Health, Safety, Security, and Environment (HSSE)	Female	40-49 Years Old	Master's Degree	Economics	5-9 Years	20th February 2018	2nd March 2018	34 minutes
COMP12	Development Group Leader	Female	40-49 Years Old	Master's Degree	Management	Less than 5 Years	14th February 2018	27th February 2018	39 minutes
COMP13	Senior Manager Institutional Relations	Male	50-59 Years Old	Bachelor's Degree	Engineering	5-9 Years	22nd February 2018	28th February 2018	29 minutes
COMP14	Head of CSR Department	Male	40-49 Years Old	Bachelor's Degree	Accounting	Less than 5 Years	12th May 2017	15th March 2018	29 minutes
COMP15	Assistant Manager Department of External Relations – CSR	Male	40-49 Years Old	Master's Degree	Law	5-9 Years	20th February 2018	11th March 2018	61 minutes

Note: * SR = Sustainability reporting

Concerning their education, seven interviewees held bachelor's degrees, a further seven interviewees had master's degrees and one interviewee held a doctoral degree. Their educational background ranged from social to natural sciences. Thoradeniya et al. (2015) believe that managers' lack of knowledge and experience hinder the sustainability reporting process. From the demographic characteristics, the interviewees were experienced and well-educated managers. Therefore, it is fair to say that the report preparers being studied were capable of undertaking sustainability reporting.

The table reveals that the respondents participating in the interviews confirmed the interview dates. The interviews with the 15 sustainability report preparers in Indonesia lasted between 29 and 61 minutes, with an average time of approximately 46 minutes. The total number of interviewees varies across studies and depends on the saturation level (i.e., the point where no new issue arises) in the study (Bell et al., 2019). For example, Barone et al. (2013) included 12 interviews of about 30 minutes duration for each interview. Bouten and Hoozée (2013) conducted 15 interviews, with the average duration of each interview being about 55 minutes. Beddewela and Herzig (2013) included 18 interviewees; each interview lasted between 30 and 60 minutes. In a similar study into stakeholder engagement in sustainability reporting by Italian local councils, Greco et al. (2015) conducted one-to-one semi-structured interviews with 11 sustainability report preparers which lasted about 30 minutes per interview. Saunders and Townsend (2016) believe that data saturation in organisation and workplace research is reached by interviewing between 15 and 60 respondents. Meanwhile, Harvey (2011) posits that about 45 minutes is considered sufficient for the duration of interviews with 'elite subjects' (i.e., those who occupy senior management and board level positions within organisations – see p. 433). To have a thick description for analysis (Parker and Northcott, 2016), it is suggested that the number of interviewees should not be excessive. Thick description means that the research should not only provide detailed information (i.e., a thin

description) but it should also develop ‘empathetic understanding of the actors and their context’ (p. 1112).

As suggested by Bell et al. (2019), a guideline for the questions to be asked in the semi-structured interviews was prepared. Additional questions were asked to clarify, probe or explore further and they varied depending on the interviewee’s responses to the guided questions. Appendix 3 shows the guidelines for the interview questions. The guidance was prepared to answer the research questions. It was shaped by prior studies, the underpinning theory and sustainability reporting’s frameworks. The guideline also incorporated the questionnaire and sustainability report analysis discussed earlier as a data triangulation mechanism. A pilot study in the form of a mock interview with an Indonesian PhD student was undertaken, to make sure that the interview questions were comprehensible.

All the 15 interviews were conducted face-to-face, in Indonesian and digitally audio recorded. As suggested by Creswell and Poth (2018), the digital audio recordings were listened to several times to fully understand the meaning of what was said and the context. The recordings were then transcribed and later translated into English by the researcher. Thematic analysis was used to analyse the English-translated interview transcripts (hereinafter refer to the transcripts). The transcripts were read thoroughly several times and highlighted manually for the appearance of recurring patterns before being coded in NVivo v.12. This process was closely supervised by experienced research supervisors and the results were presented in front of the researcher’s peers and supervisors.

Thematic analysis can be described as ‘a method for identifying, analysing and reporting patterns (themes) within data’ (Braun and Clarke, 2006: 79). A theme constitutes data in the transcripts that is perceived as paramount and relevant, in relation to the research questions, reflecting a certain degree of patterned responses or meanings from the interviews (see Braun and Clarke, 2006; Joffe and Yardley, 2004). Even though the focus of a thematic

analysis is the recurring patterns (themes) within a data set, the emphasis is not on the quantification of their frequency of occurrence. Instead, the emphasis of a thematic analysis is on the qualitative aspects (i.e., meanings in context) of the material being analysed (Creswell and Poth, 2018). 'Numbers do not tell the whole story – that the number of times a category appears does not necessarily indicate the extent to which it is relevant to the interviewees' (Joffe and Yardley, 2004: 67). In a similar vein, Braun and Clarke (2006:82) posit,

> It is not the case that if it was present in 50 per cent of one's data items, it would be a theme, but if it was present in only 47 per cent, then it would not be a theme.... So, the researcher's judgement is necessary to determine what a theme is.

In this research, thematic analysis was undertaken by constructing a coding manual through close reading of the 15 interview transcripts. Initial textual (specific) codes were formed from chunks of text that were highlighted when reading the transcripts (Joffe and Yardley, 2004; Miles et al., 2019). These first-cycle codes (Saldaña, 2016) were given labels in NVivo constituting what the themes were about. The specific textual codes in the first-cycle coding stage were grouped into several conceptual categories by 'splicing' them (Dey, 1993: 147), so they become known as nodes in NVivo (Bazeley and Jackson, 2013). Splicing to form nodes is undertaken by 'the fusing together of a set of codes under an overarching category' (Joffe and Yardley, 2004: 61). In other words, a node is constructed by condensing the recurring patterns and combining the initial textual codes into one conceptual code. Appendix 4 shows the coding manual, which is discussed further in Chapter 8 (Findings from Interviews).

This section discussed the data collection instruments, processes and analyses. This section shows that a questionnaire survey, analysis of the sustainability reports and semi-structured interviews were utilised to corroborate the findings and gain a deeper and more comprehensive understanding about the research problem. The next section discusses the validity and reliability of the research.

5.5. VALIDITY AND RELIABILITY

Validity is associated with the question of whether the research findings are trustworthy – that is whether the research has been conducted by following scientific methods for its data collection, analysis and when drawing inferences (Bordens and Abbott, 2018). In the meantime, reliability is associated with the replicability of the research – that is whether the same research findings can be repeated by utilising the same research methods under the same conditions (Leavy, 2017). Mixed methods research accommodates all the concerns about the validity and reliability for both the quantitative and qualitative inquiries (Ihantola and Kihn, 2011).

Validity and reliability in this mixed methods research were achieved by close supervision from experienced research supervisors at all stages of the research process. Zhao (2003: 194) posits that 'research supervisors facilitate students' access to resources and guide students to optimise the use of knowledge resources, such as the latest data analysis software and electronic databases, to enhance the reliability and validity of their research'. Research supervisors encouraged the use of NVivo to enhance the rigor of analysis in this thesis.

The research supervision was undertaken to avoid any potential threats of internal (contextual) validity – that is whether the research can 'capture "authentically" the lived experiences of people and to represent them in a "convincing" text, which demonstrates that the researcher fully understands [the context]' (Ihantola and Kihn, 2011: 42). In this regard, the research supervision avoided a 'mismatch between the research question and the study's design' (Lillis, 2006: 467) and ensured that the data collection instruments, processes and analyses captured the phenomenon that this research intended to (Teddlie and Tashakkori, 2009). In completing this thesis, the research supervisors closely scrutinised the questions included in the survey questionnaire, the GRI indicators included in the stakeholder engagement disclosure index, and the interview guidelines in the semi-structured interviews.

The research supervision was also conducted to avoid the potential threats of external validity (generalisability). External validity is concerned with whether conclusions can be generalised to other samples, time periods and settings (Bell et al., 2019). In this regard, the research supervision aimed to ensure that the generalisability of this research did not end up with claims for discoveries that have previously been demonstrated in other studies, known as 'myopic' conclusions (Vaivio, 2008: 77). The research supervisors closely supervised the interpretation of the research findings and the coherence of its discussion and conclusions.

Moreover, the research supervision ensured the reliability of the data collection instruments, processes and analyses so that reliable research findings would be produced (Eriksson and Kovalainen, 2016). In the questionnaire survey, the means of the 45 responses via Google Forms were compared with those of the 28 responses via the hardcopies and one softcopy by using the Mann-Whitney test which only applies to ordinal-scale data (i.e., data from the Likert scale and ranking questions) (Field, 2018). The test showed that the means, statistically, were no different between the Google Forms responses and the hardcopies and softcopy responses. The test result implied that Google Forms was not a more reliable instrument for conducting a survey than hardcopies and softcopies of the questionnaires were, and vice versa.

In the sustainability report analysis, a test-retest reliability procedure (Krippendorff, 2013) was undertaken by repeating the same procedure of developing a stakeholder engagement disclosure index, as shown in Appendix 2. There was no difference between the first and the repeated procedure. For the semi-structured interviews, the use of NVivo in the coding process of the interviews' transcripts contributed to the reliability and thus increased the rigour of the research method (Maher et al., 2018). To be reliable, the research findings were carefully written and documented. 'Careful documenting and reporting should

allow the reader to assess how the researcher has collected, produced and interpreted the data' (Ihantola and Kihn, 2011: 44).

In addition to the close supervision from the research's supervisors, data triangulation was utilised to promote the validity and reliability of this research. Data triangulation in this research was not only aimed at 'confirming the reliability and validity of the data by corroboration with other data' (Flick, 2018: 529) but was also utilised to obtain a deeper and more comprehensive understanding of the phenomenon being studied (Morgan, 2019). In data triangulation, 'findings from one method are used to corroborate findings generated through other methods' (Rallis and Rossman, 2003: 496). The advantages of undertaking triangulation are it 'reduces uncertainty' in the interpretation of the research's findings and produces more 'persuasive evidence' (Webb et al., 2000: 3).

Pilot studies also contributed to the validity and reliability of this research. 'Careful piloting can help to ensure that the resulting data is, indeed, likely to be "fit for purpose" or "congruent with the focus" of the research' (Barbour, 2018: 222). As outlined previously, a pilot study for the sustainability report analysis phase was undertaken using 36 reports issued by four companies constituting best practices in Indonesia. For the questionnaire survey, a pilot study was also conducted with those four perceived best practices companies (but only one responded) before delivering the questionnaires to the 576 companies chosen for the research. Equally important, a pilot study with semi-structured interviews was undertaken with an Indonesian PhD student, who represented the sustainability reporting managers, to test the interview questions and method.

This section discussed the validity and reliability. It reveals that close supervision from experienced research supervisors, data triangulation and pilot studies were undertaken to promote the validity and reliability of the research. The next section discusses the ethical issues.

5.6. ETHICAL ISSUES

This research considered ethical issues in its data collection processes. In conducting a questionnaire survey, emails containing a link to the questionnaire were sent along with an attachment comprising two letters from Durham University Business School (an approval to conduct fieldwork and ethics clearance – see Appendix 5A and 5B respectively). The emails were sent to 576 companies using blind carbon copy (BCC) so each recipient could not view any other recipient's email address, hence the identity of the respondents was kept confidential. Moreover, the hand-delivered questionnaire was distributed after permission was granted by the ISRA committee.

For the sustainability report analysis, sustainability reports are publicly available from the companies' websites. Therefore, permission from the companies being studied was not required to download the reports. Nonetheless, the content analysis was undertaken after first rendering the companies' names anonymous.

With the semi-structured interviews, the potential candidates for the interviews were politely contacted via the email they provided in the questionnaire survey, to arrange the schedule for their interviews. However, three candidates were excluded because they could not be contacted. Consent forms were handed out to be read and signed by the interviewees before any interviews started. As clearly stated in the consent forms, the interviewees were told that the interviews were to be audio recorded and their identity would be kept anonymous in the research's output. Appendix 6 shows the consent form.

This section discussed the ethical issues. It shows that this research had considered the ethical issues in its data collection processes. The next section summarises this chapter.

5.7. SUMMARY

This chapter outlined the research's paradigm, design and the methods that comprised the data collection instruments, processes and analyses. Validity and reliability, along with the ethical issues, have also been considered. The philosophical standpoint of this research leans towards pragmatism – a paradigm for mixed methods research. It lies in a continuum between the paradigm for quantitative research (positivism) and qualitative research (constructivism/interpretivism). However, pragmatism as a research paradigm has been interpreted merely being about the practicalities of problem solving. In fact, the pragmatic ideas of 'truth' and 'sensemaking' show promise in the field of social and environmental accountability research and stakeholder engagement in the field.

In this research, the 'truth' value of the stakeholder engagement disclosures is not about how accurately they match with the disclosure items outlined by the sustainability reporting framework, as in a quantitative inquiry. Instead, the 'truth' value lies in how complete and useful they are for both companies and interested users/readers in their decision-making processes. The 'sensemaking' process in pragmatism is undertaken before the interpretation comes into play. In the sensemaking process, it is unlikely that the preparers of sustainability reports in Indonesia take the global conception of stakeholder engagement in sustainability reporting for granted, even though they make reference to a widely used sustainability reporting framework. They are likely to translate it into a local context leading to a different perceived role of, and practice for, stakeholder engagement in sustainability reporting as suggested by the sustainability reporting framework being used – which may or may not be in accordance with the framework. From this sensemaking process, the interpretation of the perceived role of stakeholder engagement in sustainability reporting and how it is practised and disclosed in sustainability reports can proceed by contextualising it into the Indonesian politicoeconomic, sociocultural and legal backgrounds.

As the name suggests, mixed methods research involves both quantitative and qualitative data collection instruments, processes and analyses – which allow a data triangulation mechanism to be employed. The data collection methods were a survey questionnaire, sustainability report analysis and semi-structured interviews. The questionnaire survey was expected to be completed by sustainability reporting managers from 576 companies. However, the survey only obtained 73 responses, amounting to a 12.7 per cent response rate. The questionnaire was analysed using descriptive statistics analysis.

Among the total responses to the survey, 18 respondents voluntarily declared themselves willing to participate in interviews by providing their email addresses for further correspondence. Three respondents were found to be uncontactable. An analysis of the sustainability reports was undertaken through a longitudinal study of the stakeholder engagement disclosures in the sustainability reports, issued between 2007 and 2018, by the 15 companies who had representatives participating in the interviews. The stakeholder engagement disclosures in the sustainability reports were analysed using content analysis. Semi-structured interviews were also undertaken to follow up the survey responses. The interviews were conducted face-to-face in Indonesian, they were audio recorded, transcribed and then translated into English. The English-translated transcripts of the interviews were analysed using thematic analysis.

CHAPTER 6

FINDINGS FROM THE QUESTIONNAIRE SURVEY

6.1. OVERVIEW

This chapter and the next two are about the findings of the research. Chapters 6, 7 and 8 outline the research findings from the questionnaire survey, sustainability reports, and interviews respectively. The triangulation of data sources and analyses is fully considered in the discussion chapter (Chapter 9), with an equal emphasis on both quantitative and qualitative inquiries to answer the research questions.

In this chapter, the questionnaire survey shows that the companies being studied consider standalone sustainability reports to be a very important medium for reporting corporate sustainability, even though sustainability reporting is voluntary in Indonesia. Due to the reporting being voluntary, the majority of the respondents decided not to fully disclose their stakeholder engagement in their sustainability reports. Appendix 1 shows the questionnaire (in the Microsoft Word format) used to collect data on sustainability reporting (see Section 3 of the questionnaire) and stakeholder engagement in sustainability reporting (see Section 4 of the questionnaire).

This chapter is structured as follows. Section 6.2 presents the research findings relating to the sustainability reporting undertaken by the respondents. Section 6.3 outlines the research findings for stakeholder engagement in sustainability reporting. Section 6.4 summarises this chapter.

6.2. SUSTAINABILITY REPORTING

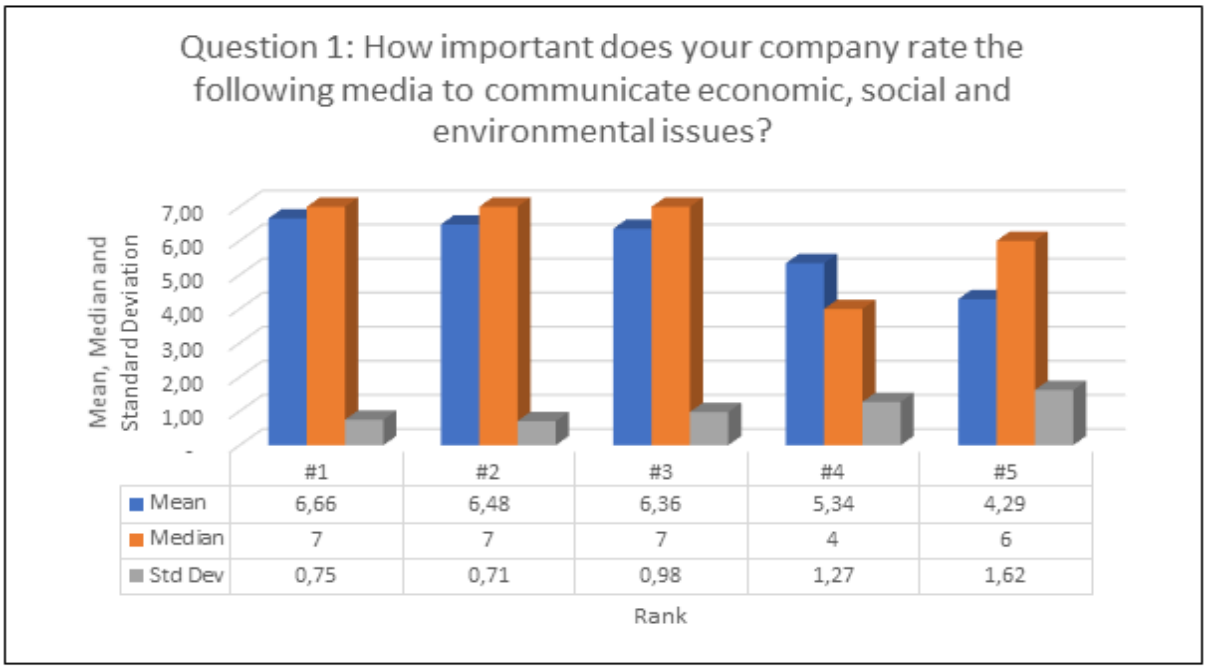
This section presents the research findings regarding the media used for reporting corporate sustainability, the motivation for reporting, the companies' participation in the Indonesia Sustainability Reporting Award (ISRA) programme and the use of consultants for sustainability reporting.

6.2.1. Media Used for Reporting

Graph 6.1 shows the response to question one, which asked about the media used for reporting. Annual reports are considered to be an extremely important medium for reporting (with a mean of seven, rounded to zero decimal places). Indonesia's Corporation Law No. 40 of 2007 requires that all companies which carry out business activities in a field related to natural resources report their social and environmental responsibilities in their annual reports (Article 74 Paragraph 1). Despite their importance, Gunawan and SeTin (2019: 682) found that annual reports published by companies in Indonesia 'generally only described CSR [corporate social responsibility] practices related to social activities (community development)' – but lack disclosures on stakeholder engagement, the focus of this thesis. The stakeholder engagement disclosures are generally found in standalone sustainability reports, rather than the annual reports (Bellucci and Manetti, 2019).

Voluntary sustainability reporting in Indonesia is indicated by the use of corporate websites; standalone sustainability reports; social media; and brochures, booklets and similar items. Despite the lack of a reporting requirement for those media, the corporate websites and standalone sustainability reports are considered very important media for reporting (with a mean of about six). The use of social media is considered important (with a mean of five) whereas brochures, booklets and similar items are somewhat important media forms (with a mean of four).

Graph 6.1
The Media for Reporting



Rank	The Media of Reporting	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	Annual reports	6.7	58	7	6	2	0	0	0	73
2	Corporate websites	6.5	43	23	6	1	0	0	0	73
3	Standalone sustainability reports	6.4	45	16	5	7	0	0	0	73
4	Social media	5.3	12	27	16	14	0	4	0	73
5	Brochures, booklets, pamphlets, leaflets and flyers	4.3	5	15	16	13	9	14	1	73

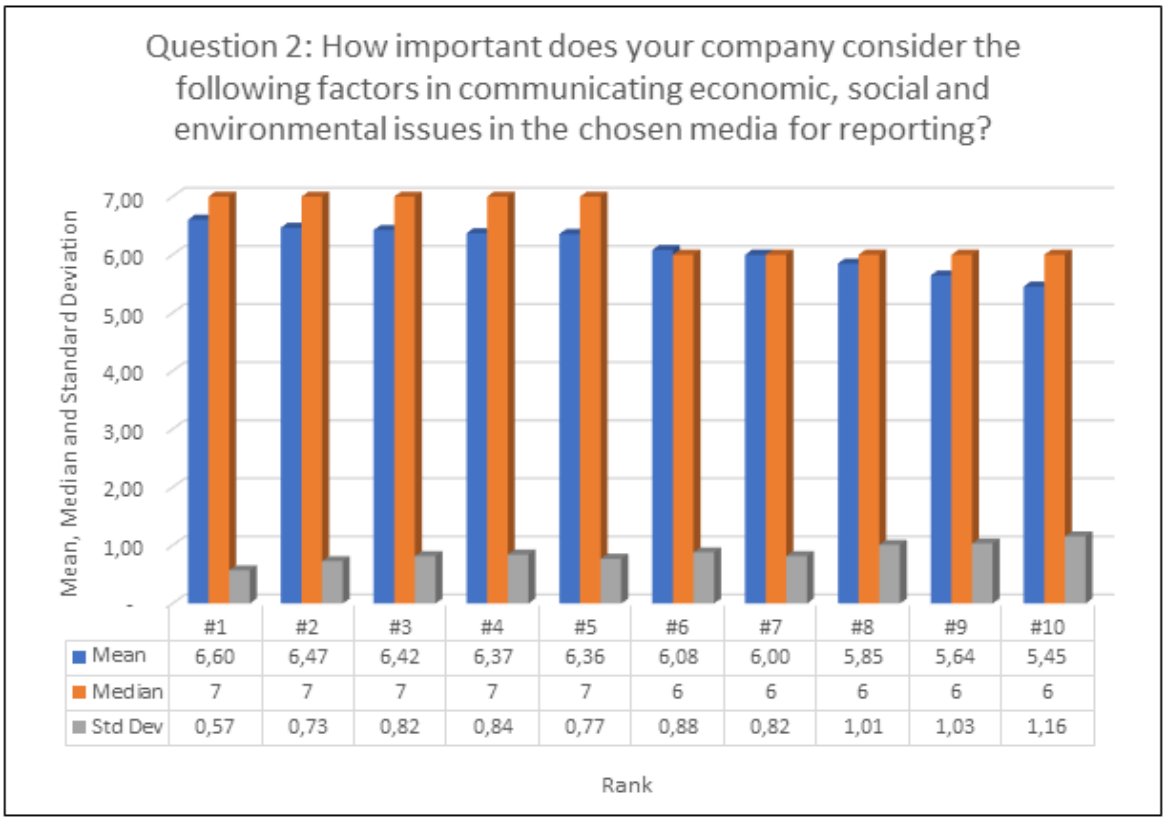
Note: 7= Extremely Important; 6= Very Important; 5= Important; 4= Somewhat Important; 3= Unimportant; 2= Very Unimportant; 1= Extremely Unimportant

According to the early development of neo-institutional theory, the voluntary sustainability reporting reflects companies' conformity response to an institutional pressure. The theory suggests that the report preparers in Indonesia conceived the reporting as a socially-constructed myth constituting proper organisations that needs to be taken for granted as solutions to organisational problems (Boxenbaum and Jonsson, 2017). In this regard, the chosen media for reporting were deemed to be able to accommodate the voluntary dissemination of sustainability information (Bhinekawati, 2017).

The response to question one indicates that companies in Indonesia considered multiple media for their reporting. The use of multiple media for disclosure rather than a single medium indicates that the accessibility of the information is of paramount importance (Lodhia, 2018; Tilt, 1994). Annual reports, which were initially financial in their orientation, have started to incorporate information about the companies' social and environmental performance and impacts (Bellucci and Manetti, 2019). To present a broader range of topics on corporate sustainability for a wider audience, companies have proceeded to issue standalone sustainability reports (Lozano and Huisingh, 2011). Following the extensive use of the internet in all aspects of life, companies have also considered using the internet (through corporate websites and various social media platforms) to communicate with their stakeholders interactively, with respect to the companies' social and environmental issues, their agendas and performance (Capriotti, 2017). The dissemination of sustainability information can also be undertaken by the issuance of brochures, booklets, pamphlets, leaflets and flyers (Amran et al., 2015).

Graph 6.2 shows the response to question two. Initiatives and support from top management (with a mean of seven, rounded to zero decimal places) was an extremely important factor to consider in communicating sustainability information via the chosen media for reporting. This result is in line with a study on corporate social initiatives by Hess et al. (2002), which found that the support of the CEO and top management is imperative. 'It shows commitment and expresses the firm's values to both the members of the organisation and to its stakeholders' (p. 118).

Graph 6.2
Factors to Consider in Communicating Sustainability Issues in the Chosen Media for Reporting



Rank	Factors to Consider	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	Initiatives and support from the CEO/board of directors/board of commisioners	6.6	46	26	0	1	0	0	0	73
2	Government regulations	6.5	43	22	7	1	0	0	0	73
3	Requirements from certain institutions (e.g., Indonesia Stock Exchange/IDX)	6.4	42	24	3	4	0	0	0	73
4	Sustainability reporting frameworks (e.g., Global Reporting Initiative or GRI Guidelines/Standards, AccountAbility AA1000 Standards)	6.4	40	24	5	4	0	0	0	73
5	Overall benefits from preparing sustainability reports	6.4	38	24	10	1	0	0	0	73
6	Practices of other companies in the same industry	6.1	27	29	13	4	0	0	0	73
7	Balanced disclosure between positive and negative issues	6.0	20	36	15	1	1	0	0	73
8	Time and effort for preparing sustainability reports	6.0	26	16	25	6	0	0	0	73
9	Total costs of preparing sustainability reports	5.6	15	30	17	9	2	0	0	73
10	Pressures from certain stakeholder groups	5.5	14	25	19	10	5	0	0	73

Note: 7= Extremely Important; 6= Very Important; 5= Important; 4= Somewhat Important; 3= Unimportant; 2= Very Unimportant; 1= Extremely Unimportant

Government regulations and requirements from certain institutions (ranked second and third respectively) were considered very important factors with a mean of about six. In Indonesia's legal context, it was in 2006 that the terminology 'corporate social responsibility' was explicitly used for the first time in the Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency No. KEP-134/BL/2006 concerning the Obligation to Submit Annual Reports for Issuers or Public Companies. Later, this corporate responsibility was stipulated in Indonesia's Corporation Law No. 40 of 2007 using the terminology 'corporate social and environmental responsibilities'. Both regulations imposed the mandatory disclosure of the extent of corporate responsibilities in the annual report.

About a decade later, Indonesia eventually issued a regulation which explicitly imposed 'sustainability reporting' under the flagship of sustainable finance through the Financial Services Authority Regulation No. 51/POJK.03/2017. This regulation requires companies to disclose their sustainability issues, performance and agendas in either the annual report or a standalone sustainability report (Article 10 Paragraph 1 and 2). The implementation period for this mandatory sustainability reporting varies among companies. For example, it effectively started 1 January 2020 for large-cap issuers and public companies (Article 3 Paragraph b), then it is scheduled to start on 1 January 2022 for medium-cap issuers (Article 3 Paragraph c) and 1 January 2024 for small-cap issuers (Article 3 Paragraph d).

According to the early development of neo-institutional theory, the government regulations and reporting requirements outlined above exert coercive influences on companies in Indonesia to undertake CSR/sustainability reporting (Bhinekawati, 2017; Tran and Beddewela, 2020). This is in line with a study undertaken by De Villiers and Alexander (2014). In their study, national regulations contributed to the institutionalisation of corporate social responsibility reporting (CSRR) in annual reports, sustainability reports and websites among companies in Australia and South Africa through the regulations' coercive influence.

Six other factors shown in Graph 6.2 were also considered very important in communicating sustainability information via the chosen media for reporting. According to the early development of neo-institutional theory, the GRI, as a sustainability reporting framework (ranked fourth), exerts a normative influence in Indonesia (Adhariani and du Toit, 2020). The GRI-based sustainability reporting has become more familiar to companies, academics, government officers and the public through certified training sessions (see Adhariani and du Toit, 2020; NCSR, 2020a). In a similar vein, a study by Contrafatto (2014) found that GRI guidelines exert a normative influence and lead to an institutionalisation of social and environmental reporting (SER) at an Italian company called BETA (a fictional name).

The overall benefits of preparing sustainability reports were also considered a very important factor (ranked fifth). GRI (2014: 5) suggested the 'value of internal changes' is the internal benefit. It develops the reporting company's vision and strategy; improves the management system; attracts and retains employees; and raises awareness with the board. In addition, GRI (2014: 5) indicated the 'value of recognition' is the external benefit. This enhances the company's reputation; achieves trust and respect; and fosters transparency and dialogue with the stakeholders. The reporting demonstrates a commitment to sustainability and promotes comparison (i.e., 'comparing performance within an organisation and between different organisations over time') and benchmarking (i.e., 'assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives') (see GRI, 2011: 3). It was evident in a study undertaken by Brown et al. (2010) that the benefit of issuing standalone sustainability reports was an enhanced corporate reputation.

The practices of other companies in the same industry (ranked sixth) were considered a very important factor to consider in delivering sustainability information via the chosen reporting media. According to the early development of neo institutional theory, this

finding suggests that companies in Indonesia strived to mimic their peers who were perceived to be successful with their CSR/sustainability reporting (Adhariani and du Toit, 2020; Bhinekawati, 2017). This is in line with a study by Amran and Haniffa (2011) who found that companies in Malaysia mimicked their competitors' sustainability reporting practices as part of the development of sustainability reporting in the country.

A balanced disclosure between positive and negative issues ranked seventh. In communicating sustainability issues, 'the reported information shall reflect positive and negative aspects of the reporting organisation's performance, to enable a reasoned assessment of overall performance' (GRI, 2016: 13). An experimental study by Reimsbach and Hahn (2015) reveals that proactive self-reporting of a negative incident is less likely to be disregarded by the users of the sustainability report. However, negative sentiment from the report's readers is more likely to arise in the case of reactive self-reporting, in response to a report on the same incident by an independent third party.

Time and effort for preparing sustainability reports (ranked eighth) was considered a very important consideration. This is in line with a study conducted by Guidry and Patten (2010). Their study found that stock markets highly appreciated the time and effort spent by the first-time reporters who produced higher quality standalone sustainability reports, in terms of positive and unexpected stock returns.

The total costs of preparing sustainability reports (ranked ninth) were also considered a very important factor to consider in communicating sustainability via the chosen media for reporting. This is in line with Comyns et al. (2013), in that undertaking sustainability reporting has costs associated with the activities involved in measuring, verifying, compiling and disseminating corporate sustainability information to a wide range of interested users. The total costs are also positively associated with the quality of the produced reports. In a similar vein, Safari and Areeb (2020: 344) posit that '... cost constraints, have served as prominent

barriers to efficient practicalisation of the *Principles for Defining Report Quality* [namely accuracy, balance, clarity, comparability, reliability and timeliness – see GRI (2016)]'.

Pressures from certain stakeholder groups are considered important with a mean of five (rounded to zero decimal places). According to the early development of neo-institutional theory, voluntary disclosures via various media are viewed as a response to institutional pressures the companies encounter – in the forms of coercive, normative or mimetic pressures (Farooq and Maroun, 2018). This finding is in line with a study by Jenkins and Yakovleva (2006), in that companies strive to disclose their social and environmental information via various media, such as annual reports, booklets or leaflets in response to pressures from stakeholder groups. A study by Fernandez-Feijoo et al. (2014) suggests that pressures from stakeholder groups increase the transparency of the reporting.

This subsection outlined the research findings with regard to the media used to report corporate sustainability. The response to question one indicates that companies in Indonesia consider a wide range of reporting media to disseminate sustainability information. Meanwhile, the response to question two reveals that the initiative and support from the top management of the company was an extremely important factor to consider when delivering sustainability information via the chosen media for reporting. The next subsection presents the research findings about the motivation for reporting.

6.2.2. Motivation for Reporting

Graph 6.3 presents the response to question three about the motivation for reporting corporate sustainability. The graph shows that all 10 motives were considered very important with a mean of around six. Promoting transparency and accountability was the one with the highest mean. This finding is in line with a survey conducted by O'Dwyer et al. (2005), who found that companies in Ireland were motivated to produce corporate social disclosures (CSD)

following the application of political pressure for greater transparency. Similarly, a study conducted by Kolk (2008) showed that Fortune Global 250 companies engaged in sustainability reporting in their annual reports and standalone sustainability reports, in response to the demand for transparency and accountability, by linking corporate governance and sustainability. The motive for promoting transparency and accountability was also evident in a study on sustainability reporting by Italian local councils undertaken by Greco et al. (2015).

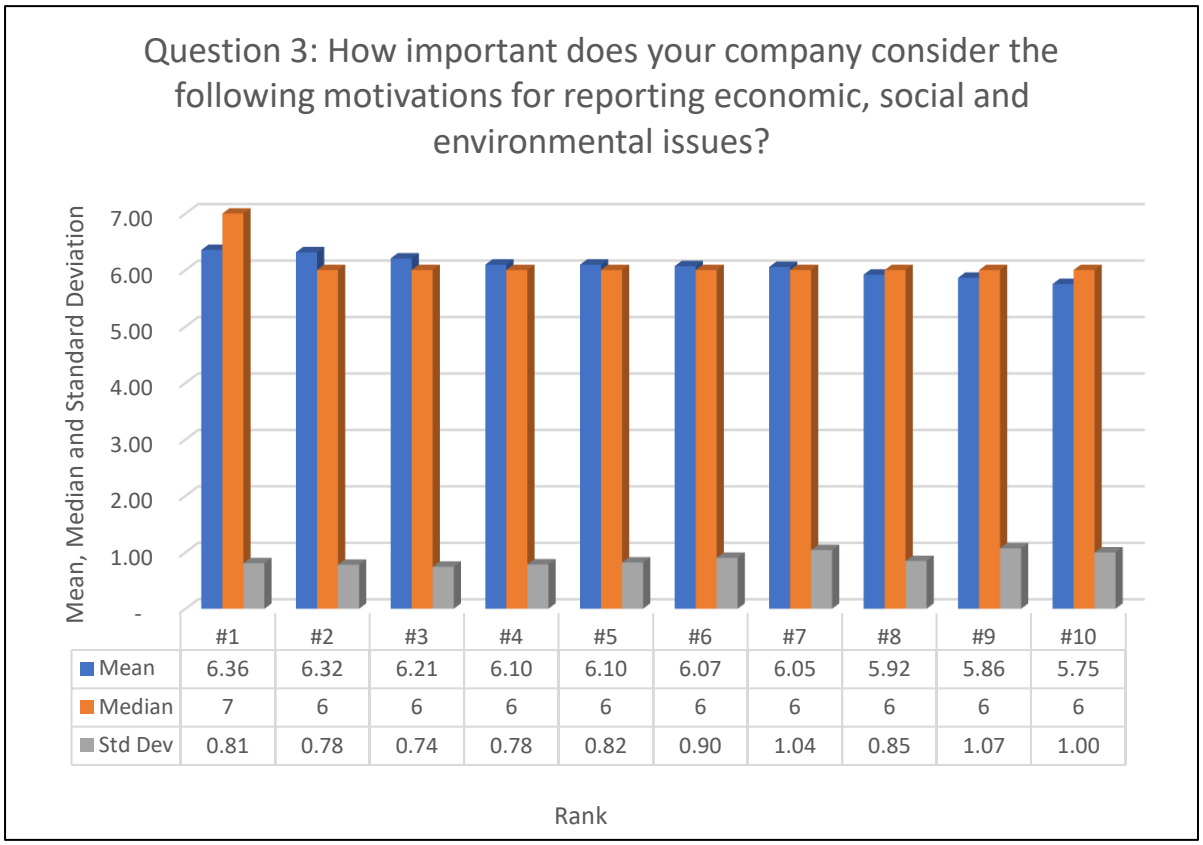
Complying with some mandatory requirements ranked second in the motivation for reporting. A publication by Ernst and Young (EY, 2014) revealed that compliance with regulations was a starting point, where non-reporters become new reporters of corporate sustainability. This is in line with the role of regulation as one of the cognitive dissonance sources prompting the initiation of CSD in Adams and Whelan's (2009) study. Cognitive dissonance (Festinger, 1957) induces discomfort, arising from the gap between what companies have done and report users expect, with regard to corporate external reporting. According to the early development of neo-institutional theory, the compliance with mandatory requirements reflects the conformity response to coercive pressures in the form of regulatory requirements (Bhinekawati, 2017).

Creating and maintaining competitive advantages was in the third position based on its mean. This is in line with a study by Smits et al. (2020), who stated that companies were motivated to voluntarily follow sustainability reporting guidelines to gain competitive advantages from an increase in productivity and product quality. Enhancing the company's reputation and brand loyalty ranked fourth. This finding is in line with Bebbington et al. (2008), in that companies undertake sustainability reporting to manage their reputational risks. It was also evident in a study conducted by Crittenden et al. (2011) in that companies were motivated to report sustainability to maintain brand loyalty among their customers.

Communicating the companies' social and environmental agendas and activities ranked fifth. In Indonesia's legal context, Corporation Law No. 40 of 2007 requires companies to communicate their social and environmental agendas and activities in their annual reports. Meanwhile, in Indonesia's sociocultural context, local communities with a low literacy rate prefer to see the corporate social and environmental actions to their disclosures in corporate external reports – i.e., the 'walk' is more appreciated than the 'talk' (Bhinekawati, 2017). Consequently, the communication of social and environmental agendas and activities is prone to meet the mandatory CSR reporting requirements rather than meeting the informational need of stakeholders in CSR reports, especially the local communities impacted by the companies' operations (Bartley and Egels-Zandén, 2016).

Facilitating the formulation of strategies ranked sixth. This is in line with a study conducted by Engert and Baumgartner (2016). In their study, companies in the automotive industry were motivated to report corporate sustainability due to the need to link their corporate strategies' formulation and implementation. Countering or mitigating negative publicity about the company was in the seventh position in terms of its mean. This motivation implies that sustainability reporting can be viewed as a reaction to anticipate further harmful consequences from negative publicity. This is in line with a study by Hahn and Lülfs (2014) who reported that sustainability reporting is used to legitimise negative incidents by deploying a number of symbolic disclosure strategies to neutralise the negative publicity or impress the readers of the sustainability reports.

Graph 6.3
Motivation for Reporting



	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10
Mean	6.36	6.32	6.21	6.10	6.10	6.07	6.05	5.92	5.86	5.75
Median	7	6	6	6	6	6	6	6	6	6
Std Dev	0.81	0.78	0.74	0.78	0.82	0.90	1.04	0.85	1.07	1.00

Rank	Motivation for Reporting	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	To promote transparency and accountability	6.4	37	29	3	4	0	0	0	73
2	To comply with some mandatory requirements	6.3	35	28	8	2	0	0	0	73
3	To create and maintain competitive advantages	6.2	27	36	8	2	0	0	0	73
4	To enhance the company's reputation and brand loyalty	6.1	21	43	4	5	0	0	0	73
5	To communicate the company's social and environmental agenda and activities	6.1	26	30	15	2	0	0	0	73
6	To facilitate strategy formulation	6.1	26	32	9	6	0	0	0	73
7	To counter/ mitigate negative publicity about the company	6.1	26	34	8	3	0	2	0	73
8	To link between financial and non-financial performance	5.9	18	36	14	5	0	0	0	73
9	To improve financial performance	5.9	17	43	3	8	0	2	0	73
10	To facilitate communication and coordination across departments or divisions	5.8	19	27	17	10	0	0	0	73

Note: 7= Extremely Important; 6= Very Important; 5= Important; 4= Somewhat Important; 3= Unimportant; 2= Very Unimportant; 1= Extremely Unimportant

Linking between financial and non-financial performance was also considered a very important motivation for reporting. This motivation is in line with a study by Alonso-Almeida et al. (2014). In their study, sustainability reporting accommodates the demand for non-financial performance information beyond the bottom line of financial reporting. Among financial and non-financial performance reports, improving financial performance was evident in the questionnaire survey as a very important motive for reporting corporate sustainability. In the context of Indonesia, state-owned enterprises (SOEs), as the agents of development, are required by a regulation (the Regulation of the Minister of SOEs No. PER-02/MBU/7/2017) to allocate their profit to fund their CSR. This reflects that social and environmental responsibilities are deemed impossible to undertake without a sufficient level of profitability, hence, the continuity of corporate responsibility programmes is closely related to financial performance and the legitimacy obtained from finance-providing stakeholders (Arya and Zhang, 2009).

Facilitating communication and coordination across departments or divisions ranked tenth. In a study by Thijssens et al. (2016), it was found that companies were motivated to undertake sustainability reporting because there was 'a need to structure sustainability' (p. 93). The structure is related to the way sustainability reporting is organised, which involves 'coordination and task division' (p. 89). In the context of Indonesia – where stakeholders demand CSR actions and companies are required by the law to compile CSR reports – it is necessary for companies to avoid silo mentality by facilitating solid communication and coordination across departments or divisions in delivering the CSR actions and reports (Bhinekawati, 2017).

This subsection presented the response to question three on the motivation for reporting. The section shows that the motivation to report corporate sustainability varied among the companies that participated in the questionnaire survey. Among them, promoting

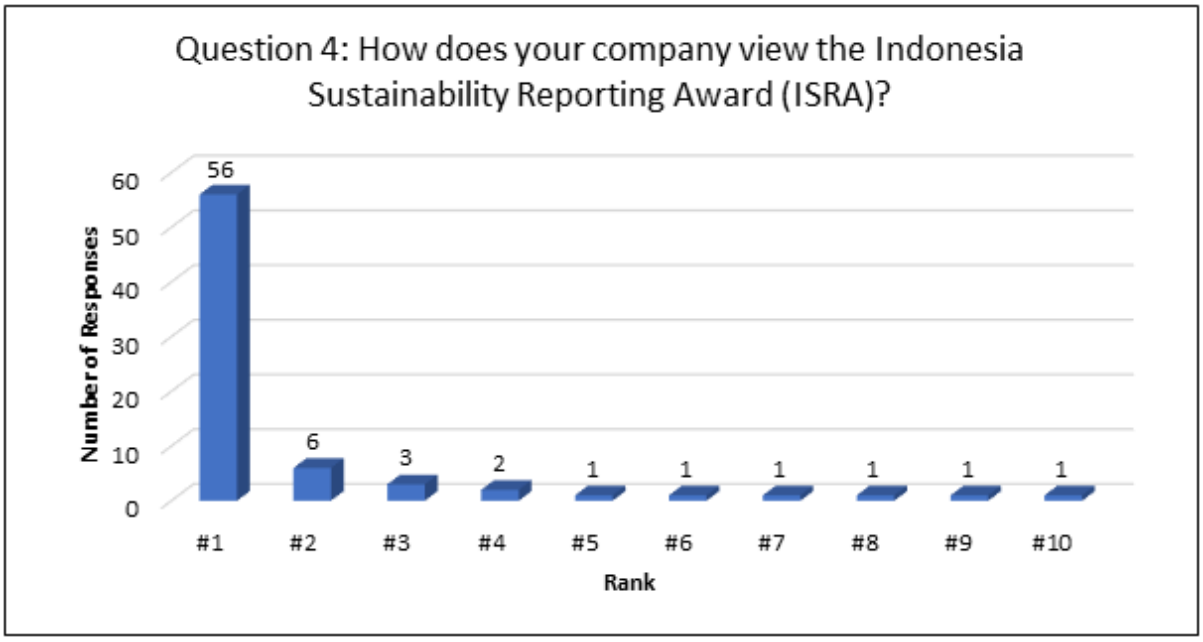
transparency and accountability ranked number one, according to its mean. The next subsection outlines the response to the questions regarding the participation of companies in the ISRA.

6.2.3. Participation in the Indonesia Sustainability Reporting Award (ISRA)

Graph 6.4 reveals the response to question four about the companies' perspective of the ISRA. This question enables the respondents to choose more than one option from the six options provided. This question also offers an option called 'other' which enables respondents to have their perspective included beyond those six options. The graph shows that 56 respondents perceived the ISRA as a very beneficial and important event to participate in. The rest of respondents vary in their perspectives. For example, six respondents declared that they did not know about the event and three respondents were not quite confident enough to participate in it.

According to its official website (NCSR, 2020b), the ISRA was held for the first time in 2005. In 2013, the ISRA was renamed the Sustainability Reporting Award (SRA) because there were participants from overseas. In 2018, SRA transformed into the Asia Sustainability Reporting (ASR) rating, where the award system changed into a rating system. In this research, ISRA is the terminology used, which refers to all its transformations, particularly in the period between 2008 and 2016. That is because foreign companies are excluded in this research.

Graph 6.4
Views on the ISRA



Rank	Views on the Indonesia Sustainability Reporting Award (ISRA)	Responses
1	We think that the event is very beneficial and it is important to participate in it	56
2	We don't know about the event	6
3	We are not quite confident enough to participate in the event	3
4	[We think that the event is very beneficial and it is important to participate in it but we have doubts about the assessment criteria used in the event]	2
5	[We think that the event is very beneficial and it is important to participate in it, but we have doubts about the assessment criteria used in the event] (The doubt is about the ISRA this year, for the report in 2017*)	1
6	[We don't know about the event and we don't see any benefit for our company from participating in that event]	1
7	We are not quite confident enough to participate in the event and (we still focus on our internal improvements*)	1
8	We don't see any benefit for our company from participating in that event and (the participants should have been given recommendations for improving their reporting*)	1
9	(The event is beneficial but its credibility and assessment criteria need to be improved*)	1
10	[We don't get any support from the CEO/board of directors/board of commissioners to participate in the event and we have doubts about the assessment criteria used in the event]	1

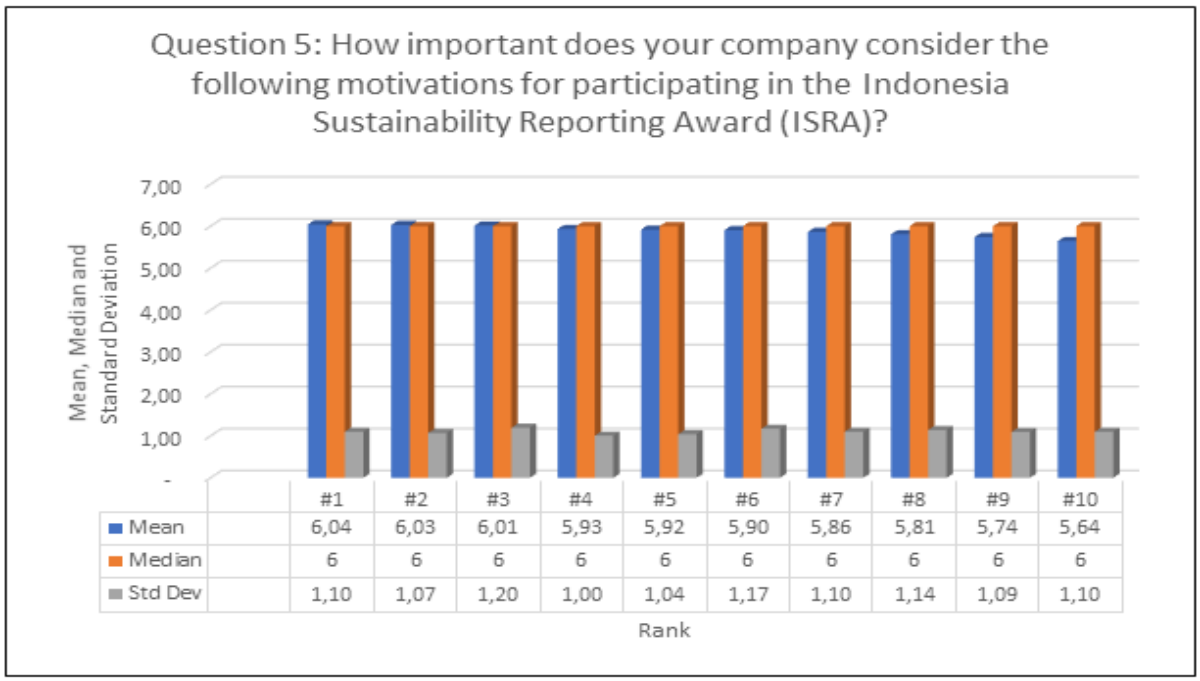
Note: [ ] indicates combination of more than one option provided
(*) indicates the response to 'other'

Graph 6.5 shows the response to question five. All 10 motives for the ISRA were considered very important (with a mean of six, rounded to zero decimal places). ‘To signal to the stakeholders that the company is serious in its sustainability reporting’ ranked number one with the highest mean. This is in line with Robinson et al. (2011) who found that companies strive to signal their sustainable leadership. In other words, participation in the ISRA serves as a signal of the companies’ strong commitment to report their sustainability performance in their sustainability reports.

Using the ISRA judges’ feedback to improve the quality of the sustainability reports (ranked second) and the objective assessment of the event (ranked eighth) were also considered very important motives. According to the welcome speech of the National Center for Sustainability Reporting (NCSR) Chairman (NCSR, 2020c), there has been no sponsor, since the first ISRA, to maintain objectivity in the assessment. The judges in the ISRA are academics that have been certified and hence competent in the field of sustainability reporting. In a study by Amran and Haniffa (2011), sustainability reporting awards with objective assessment criteria ‘confer recognition to the winners and attest to their compliance with the award criteria, and as such would induce companies to develop their sustainability reporting strategies’ (p. 146).

‘To create and maintain a competitive advantage’ ranked third. According to Barney (1991), a company possesses a competitive advantage when ‘it is implementing a value creating strategy which has not simultaneously been implemented by any current or potential competitors’ (p. 102). Participation in the ISRA can be utilised by a company to differentiate itself from its competitors, particularly if the company is an award-winner and known as an environmentally friendly company (see Leonidou et al., 2015; Porter, 1985).

Graph 6.5
Motivation for participating in the ISRA



Rank	Motivation for participating in the ISRA	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	To signal to stakeholders that the company is serious about its sustainability reporting	6.0	28	31	7	5	0	2	0	73
2	To further improve the sustainability report's quality following the judges' feedback	6.0	27	30	11	3	0	2	0	73
3	To create and maintain a competitive advantage	6.0	33	21	10	7	0	2	0	73
4	To attract more investment from investors	5.9	18	42	7	4	0	2	0	73
5	To enhance the company's reputation and brand image	5.9	19	40	7	5	0	2	0	73
6	To exchange ideas and build networks with ISRA participants	5.9	25	31	6	9	0	2	0	73
7	To improve the credibility (trustworthiness) of the sustainability report's contents	5.9	22	30	14	5	0	2	0	73
8	To receive an objective assessment about the sustainability report's quality from the judges	5.8	23	25	17	6	0	2	0	73
9	To increase confidence in preparing sustainability reports	5.7	15	39	8	9	0	2	0	73
10	To make it a barometer of sustainability's performance and the reporting's quality	5.6	16	28	20	7	0	2	0	73

Note: 7= Extremely Important; 6= Very Important; 5= Important; 4= Somewhat Important; 3= Unimportant; 2= Very Unimportant; 1= Extremely Unimportant

Participation in the ISRA was also considered very important for attracting more investment from investors (ranked fourth) and enhancing companies' reputations and brand images (ranked fifth). Amran and Haniffa (2011) posit that 'companies always seek ways to enhance their image and one obvious strategy will be by winning the [sustainability reporting] awards' (p. 146). Participating and even winning the ISRA may influence the external perception of a company's reputation (Lourenço et al., 2014). The corporate reputation accordingly attracts investors to invest in companies showing sustainable leadership (Hussainey and Salama, 2010; Robinson et al., 2011).

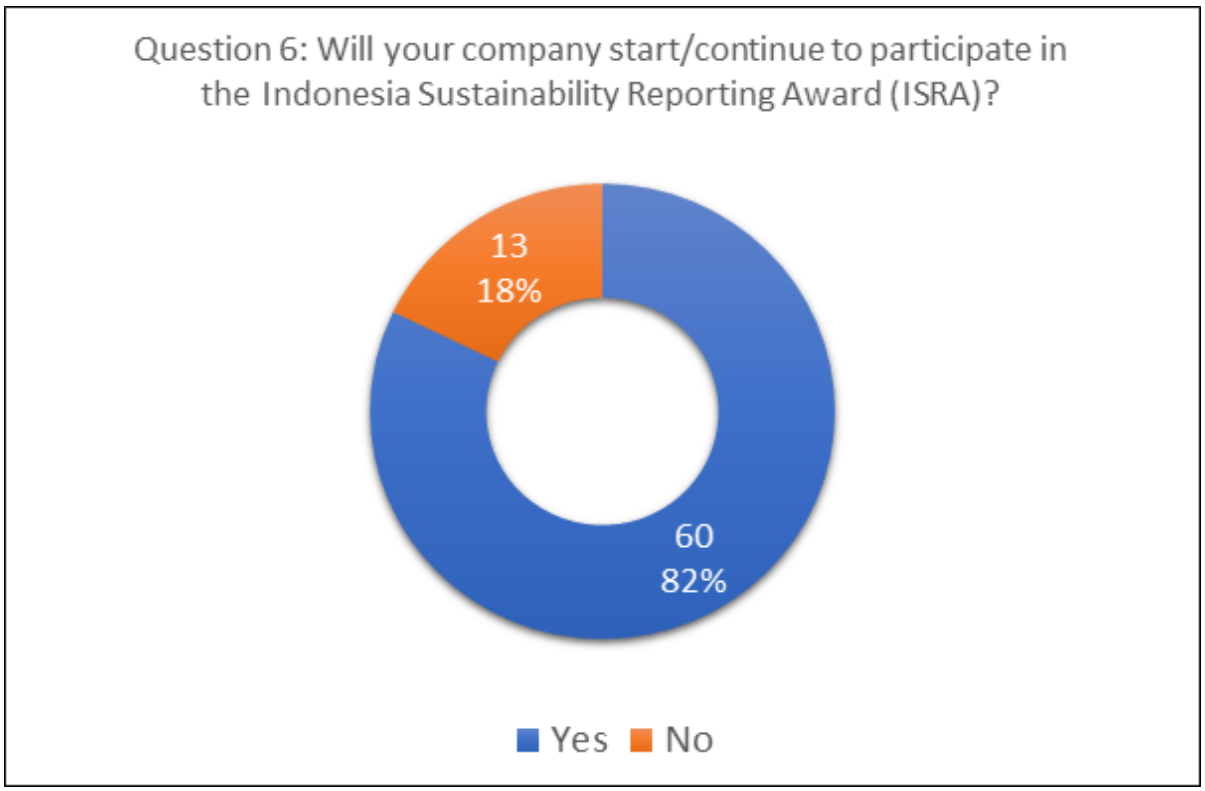
A sustainability reporting award event offers 'a forum for the establishment of norms about expected behaviour in corporate sustainability reporting, including the adoption of the GRI framework and *external verification*' (Abeydeera et al., 2016: 497-498, emphasis added). In the context of sustainability reporting, the external verification adds to the credibility of sustainability reports (Adams and Evans, 2004; Junior et al., 2014). Therefore, participation in the ISRA may also improve the credibility (trustworthiness) of the content of sustainability reports (the motivation that ranked seventh).

The respondents believe that the ISRA event is a place where the participants can exchange ideas and build networks (ranked sixth). This implies that the respondents do not only view the ISRA as a place where companies compete against each other to win the award but it also provides an opportunity to work together. According to Hutter et al. (2011) awards or contests 'should include elements of competitive participation without disabling the climate for cooperation' (p. 3). Besides this, the respondents also believe that their participation in the ISRA can increase their confidence in preparing sustainability reports (ranked ninth). This is in line with a study by Gallus and Frey (2017) who found that awards can foster the recipients' self-esteem.

According to the early development of neo-institutional theory, a study by Amran and Haniffa (2011) reveals that a sustainability reporting award event exerts a normative influence, in that the 'award criteria prescribe company behaviour' (p. 152). Therefore, award-winning companies are considered to have best practices (see, for example, O'Dwyer and Owen, 2005; Sawani et al., 2010). From this standpoint, the ISRA can be considered as a barometer for sustainability's performance and reporting quality (this motivation ranked tenth).

Graph 6.6 shows the response to question six. The graph shows that 82 per cent of the respondents wished to start/continue to participate in the ISRA in the future. The number of ISRA participants increased from seven participants in 2005 to 56 participants in 2018, indicating an increase in the enthusiasm to participate in the event (NCSR, 2020b). A study by O'Dwyer and Owen (2005) posits that companies shortlisted in a sustainability reporting award event are 'deemed to exhibit best reporting practices' (p. 208).

Graph 6.6
Participation in the ISRA in the future

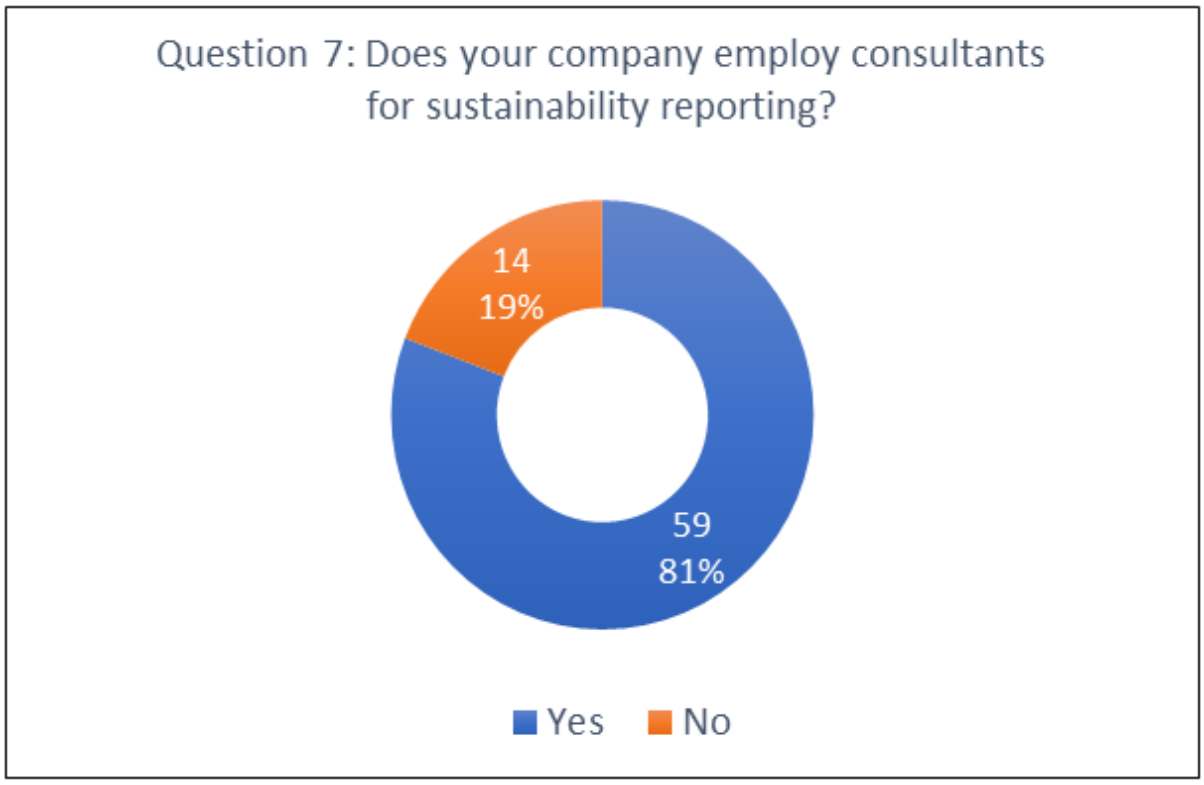


This subsection presented the participation of companies in the ISRA. It was evident that companies in Indonesia are enthusiastic about participating in the event. The main motivation was to signal to the stakeholders that the company is serious about its sustainability reporting. The next subsection outlines the use of consultants for sustainability reporting.

6.2.4. The Use of Consultants for Sustainability Reporting

Graph 6.7 shows the response to question seven about the use of consultants for sustainability reporting. The majority of companies (59 respondents or 81 per cent of the total respondents) used consultants when preparing their sustainability reports. This is in line with Diouf and Boiral's (2017) study who discovered that 'the production of sustainability reports is assigned either to internal services, such as public relations, or to *external consultants*' (p. 655, emphasis added).

Graph 6.7
The Use of Consultants for Sustainability Reporting



In a study by Frostenson and Helin (2017: 172-173), 'the employment of three consultants in the process [of generating the sustainability report] is a sign of the dependency that the company has on external knowledge'. Similarly, Christensen and Skærbæk (2010) posit that 'consultants should be seen as "experts" that work with organisations to make some accounting models successful' (p. 524). According to the neo-institutional theory, consultants have played an important role in the institutionalisation of sustainability reporting by guiding inexperienced sustainability reporting managers in the reporting process (Farooq and de Villiers, 2019). Regarding the role of consultants in corporate sustainability reporting, Adams and Frost (2008) report that a British utility company used a consultant 'to assist in engaging with stakeholders' (p. 294). Their study also shows evidence that an Australian telecommunications company used consultants to assist the company to understand the usefulness of data collected for performance benchmarking and the decision-making process.

Frostenson and Helin (2017) argue it is possible that sustainability reports are not always issued in a timely manner, regardless of whether consultants are used or not for sustainability reporting. 'When reports are produced internally, companies may find they have a lack of expertise and resources. When the company acquires the services of external consultants, the data's collection and analysis often take longer than usual, due to the time required for the consultants to familiarise themselves with the company's context. Moreover, there may be pressure from the management' (p. 655).

This subsection presented the use of consultants for sustainability reporting. The survey shows that 81 per cent of the total respondents (59 respondents) acknowledged that they used consultants for sustainability reporting. The next section outlines the results of the questionnaire survey regarding the stakeholder engagement in sustainability reporting.

6.3. STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING

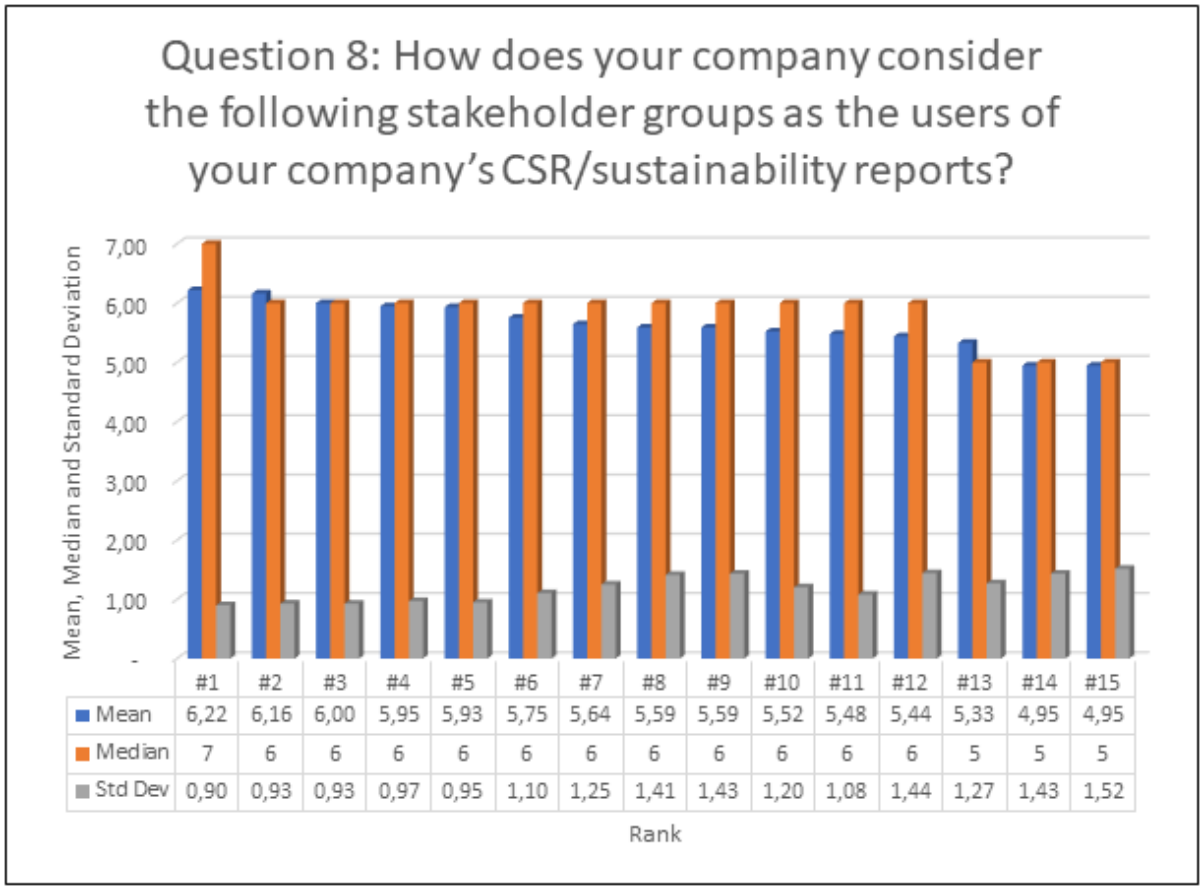
This section demonstrates the research findings regarding the stakeholder groups identified by the preparers of sustainability reports in Indonesia, the methods used to engage with the identified stakeholders and the perceived role of the stakeholder engagement in sustainability reporting.

6.3.1. The Identified Stakeholder Groups

Graph 6.8 shows the response to question eight about the stakeholder groups being the users of sustainability reports. The graph shows that the government, authoritative bodies, shareholders, investors, non-government organisations (NGOs), academics, customers, industry associations, suppliers and creditors were considered to be very demanding users of sustainability reports, that is to say those who really want the reports (with a mean of six, rounded to zero decimal places). Meanwhile, local communities, the wider society, the media, netizens[7], and employees were considered to be demanding users of sustainability reports (with a mean of five, rounded to zero decimal places). This finding showing that customers really demand the companies' CSR/sustainability reports contradicts a study by Schons and Steinmeier (2016), in that 'while customers are often aware of intensively advertised CSR activities, most do not actively search for CSR information by reviewing companies' sustainability reports' (p. 361).

[7] A netizen is a term used to describe a person who (actively) uses the internet, especially social media (Rughiniș et al., 2021).

Graph 6.8
Stakeholder Groups as the Users of Sustainability Reports



	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12	#13	#14	#15
Mean	6,22	6,16	6,00	5,95	5,93	5,75	5,64	5,59	5,59	5,52	5,48	5,44	5,33	4,95	4,95
Median	7	6	6	6	6	6	6	6	6	6	6	6	5	5	5
Std Dev	0,90	0,93	0,93	0,97	0,95	1,10	1,25	1,41	1,43	1,20	1,08	1,44	1,27	1,43	1,52

Rank	Stakeholder Groups as the Users of Sustainability Reports	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	Government	6.2	37	17	17	2	0	0	0	73
2	Authoritative bodies (e.g., IDX)	6.2	34	21	14	4	0	0	0	73
3	Shareholders	6.0	24	32	10	7	0	0	0	73
4	Investors	6.0	23	30	15	3	2	0	0	73
5	Non-government organisations (NGOs)	5.9	22	32	11	8	0	0	0	73
6	Academics	5.8	23	17	29	2	0	2	0	73
7	Customers	5.6	20	26	15	7	3	2	0	73
8	Industry associations	5.6	23	21	16	7	1	5	0	73
9	Suppliers	5.6	23	25	9	6	8	2	0	73
10	Creditors	5.5	16	25	19	9	2	2	0	73
11	Local communities	5.5	12	25	27	6	1	2	0	73
12	Wider society	5.4	14	33	14	1	5	6	0	73
13	Media (e.g., TV, newspapers)	5.3	15	19	22	11	4	2	0	73
14	Netizens	5.0	7	26	14	15	4	7	0	73
15	Employees	5.0	11	19	19	11	5	8	0	73

Note: 7= Extremely Demanding User; 6= Very Demanding User; 5= Demanding User; 4= Somewhat Demanding User; 3= Less Demanding User; 2= Not Very Demanding User; 1= Extremely Undemanding User.

Using the neo-institutional theory, Schons and Steinmeier (2016) posit that external stakeholders 'lack insight into the business processes and the real actions of firms and therefore will not be able to verify the symbolic or substantive[8] value of a firm's CSR actions' (p. 360). The theory was used to understand the firms' non-conformity response to the stakeholders' pressures demanding CSR/sustainability reports. 'In accordance with neo-institutional theory, symbolic actions allow firms to at least appear to fulfill stakeholders' requests without large costs or the need to change business processes' (Schons and Steinmeier, 2016: 360).

Graph 6.9 shows the response to question nine about which stakeholder groups influenced the company's operations and performance. The graph reveals that the shareholders, the government, authoritative bodies, employees, local communities, customers, investors, creditors, the wider society, and suppliers were very influential groups of stakeholders (with a mean of six, rounded to zero decimal places). In the meantime, NGOs, industry associations, the media, academics, and netizens were influential groups of stakeholders (with a mean of five, rounded to zero decimal places).

Graphs 6.8 and 6.9 indicate that the companies responding to the survey acknowledge the existence of the diverse stakeholder groups which are interested in sustainability reporting. Willis (2003) posit that '... in financial reporting, there is a well-identified primary set of users [i.e., participants in the capital markets]. In sustainability reporting, there is a far wider range of users with considerable differences in their expectations about performance and reporting' (p. 236). Diverse stakeholder groups are not only the users of sustainability reports, but they can also influence a company's operations and performance (Bremmers et al., 2007). Stakeholders can directly influence a company by imposing a formal voice in the company's deliberations, whereas their indirect influence is imposed by a third

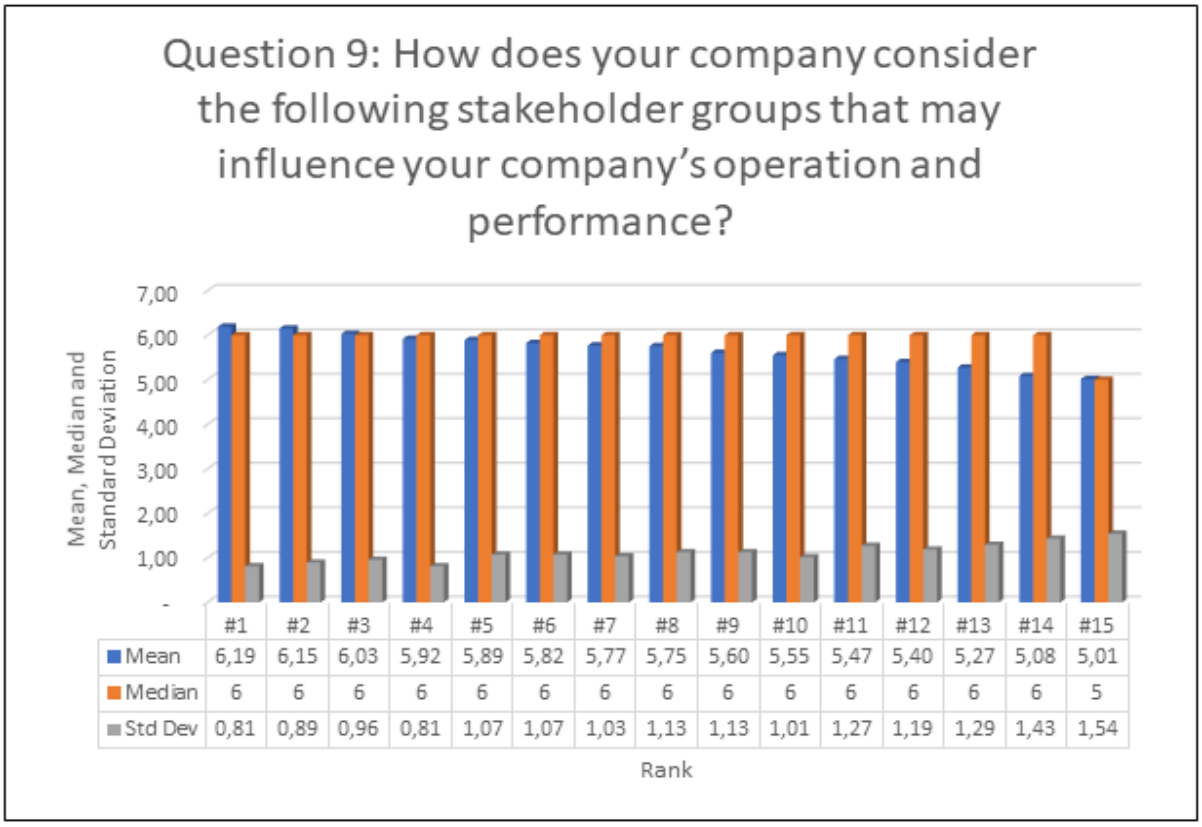
[8] 'Symbolic CSR actions are any actions related to CSR topics that a firm takes to show ceremonial conformity; substantive CSR actions involve actual changes at an operational level, generally implying tangible and measurable activity that requires the use of a firm's resources' (Schons and Steinmeier, 2016: 359).

party representing their interests, such as through regulations issued by the government (De Graaf and Herkströter, 2007).

Among the diverse stakeholder groups listed in the survey, the top three users of sustainability reports, as well as being very influential stakeholder groups, were the government, the authoritative bodies and the shareholders. As the identified stakeholder groups are strongly associated with a company's motivation for reporting (Unerman, 2007), this finding supports the top two motives outlined in the earlier section, i.e., 'to promote transparency and accountability' which is driven by 'compliance with mandatory requirements'.

Coercive pressures, in the form of regulations issued by the government and the authoritative bodies, seem to be the reason why they were considered very demanding users and influential stakeholder groups. To recall, Indonesia's Corporation Law No. 40 of 2007 requires companies carrying out business activities in the field of and/or related to natural resources to undertake CSR reporting in their annual reports. Besides, according to the Regulation of the Minister of SOEs No. PER-02/MBU/7/2017 concerning Partnership and Community Development Programme (*Program Kemitraan dan Bina Lingkungan* or PKBL), SOEs in Indonesia are obliged to allocate a maximum of four per cent of their after-tax profit for PKBL (Article 8). To ensure the accountability of the PKBL funds, SOEs are required to prepare quarterly and annual reports for the Ministry of SOEs regarding the implementation of PKBL (Article 17). From the regulatory standpoint, sustainability reporting in Indonesia seems to be understood as the reporting of CSR programmes in which financial resilience seems to be strongly associated with the key success factors of the CSR programmes. Therefore, shareholders are considered to be both very influential in and interested users of the CSR reports, along with the government and the authoritative bodies.

Graph 6.9
Stakeholder Groups that Influence the Company's Operation and Performance



Rank	Stakeholder Groups that Influence the Company's Operation and Performance	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	Shareholders	6.2	30	29	12	2	0	0	0	73
2	Government	6.2	30	28	12	2	1	0	0	73
3	Authoritative bodies (e.g., IDX)	6.0	27	28	11	7	0	0	0	73
4	Employees	5.9	15	42	12	3	1	0	0	73
5	Local communities	5.9	25	26	13	7	2	0	0	73
6	Customers	5.8	23	25	16	7	2	0	0	73
7	Investors	5.8	20	26	19	6	2	0	0	73
8	Creditors	5.8	20	30	12	7	4	0	0	73
9	Wider society	5.6	15	29	20	4	4	1	0	73
10	Suppliers	5.6	11	31	21	8	1	1	0	73
11	Non-government organisations (NGOs)	5.5	17	22	20	8	4	2	0	73
12	Industry associations	5.4	12	28	16	12	4	1	0	73
13	Media (e.g., TV, newspapers)	5.3	13	24	15	13	7	1	0	73
14	Academics	5.1	10	29	7	13	12	2	0	73
15	Netizens	5.0	11	24	14	11	5	8	0	73

Note: 7= Extremely Influential Stakeholder; 6= Very Influential Stakeholder;
5= Influential Stakeholder; 4= Somewhat Influential Stakeholder;
3= Less Influential Stakeholder; 2= Not Very Influential Stakeholder;
1= Not Influential at All.

This subsection presented the identified stakeholder groups. It reveals that the government, authoritative bodies and shareholders were the top three identified users of sustainability reports and were also very influential groups of stakeholders. The next subsection outlines the research's finding about the methods used by the respondents to engage with the stakeholders.

6.3.2. Stakeholder Engagement Methods

Table 6.1 shows the result of question 10 about the methods of engaging with stakeholders. The respondents were given a list of 15 stakeholder groups and asked to choose the engagement methods that fitted those stakeholder groups. A stakeholder group could have more than one engagement method.

Table 6.1
Stakeholder Engagement Methods

No	Stakeholder Groups	Stakeholder Engagement Methods	Frequency
1	Netizens	Social media	57
2	Wider society	Social media	41
3	NGOs	Email and dialogue	23
4	Employees	Dialogue	22
5	Creditors	Email	21
6	Authoritative bodies (e.g., IDX)	Email	20
7	Local communities	Dialogue	18
8	Investors	Email	18
9	Academics	Email	17
10	Industry associations	Dialogue	16
11	Government	Email, dialogue and partnership	14
12	Customers	Questionnaire	14
13	Shareholders	Email and dialogue	13
14	Media (e.g., TV, Newspapers)	Email	11
15	Suppliers	Email	11

The table reveals that social media was chosen as the engagement method with netizens and the wider society. In response to the development of the internet nowadays, the

stakeholder engagement can be conducted through the use of internet-based social media, such as Twitter, Facebook and YouTube (Manetti and Bellucci, 2016). According to Statista (2020), 'Indonesia is one of the countries with the highest number of internet users in the world; as of June 2019, 171.26 million out of the country's total population of over 260 million were active internet users'. The accessibility of the internet enables society to engage with companies in the context of their sustainability reporting (Adams and Frost, 2006a, 2006b). With the accessibility of the internet, email is also commonly used to engage with a wide range of stakeholder groups (Unerman, 2007). In this research, it is evident that email was utilised as an engagement method with academics, NGOs, the media, the government, suppliers, shareholders and creditors. Local communities – the typical stakeholder group involved in community development programmes (a part of PKBL) by SOEs in Indonesia – were not engaged by internet-based methods, such as email and social media. Bhinekawati (2017) posits that the local communities targeted by SOEs in their PKBL generally live in underdeveloped areas in Indonesia with low literacy rate – hence internet-based engagement methods are apparently ineffective to be conducted.

Thomson and Bebbington (2005) posit that questionnaires can be used as a method for engaging with stakeholders. 'Stakeholder engagement describes a range of practices where organisations take a structured approach to *consulting* with potential stakeholders. There are a number of possible practices which achieve this aim including...*questionnaire surveys* mailed to the stakeholders, phone surveys...' (p. 517, emphasis added). Therefore, Thomson and Bebbington (2005) support this idea of using a questionnaire to consult with customers.

A dialogue with the stakeholders was undertaken, and included NGOs, the government, employees, industry associations, local communities and shareholders. This was in line with a study conducted by Habisch et al. (2011) in that dialogues with multiple stakeholders were evident in Germany, Italy and the US. Burchell and Cook (2013) posit that

such an engagement is even necessary with NGOs which have been 'relatively hostile and even directly adversarial' (p. 508). In this regard, Payne and Calton (2002) suggest that through dialogue with the stakeholders, 'preconceived relationships between oneself and others change as new *learning* occurs' (p. 133, emphasis added). As a developing democracy, Indonesia promotes dialogue in accordance with its democratic principle known as *musyawarah untuk mufakat* (deliberations to reach a consensus). The principle is undertaken by face-to-face dialogic engagement to enable mutual learning, understanding and commitment to take place between companies and their stakeholders (Jurriëns, 2009; Patunru et al., 2018).

The table also shows that a partnership was another engagement method for use with the government. In the context of SOEs in Indonesia, they are required by the government to plan and implement partnership schemes under the mandatory PKBL initiative outlined earlier. The initiative encourages SOEs to provide financial assistance to small and medium-sized enterprises (SMEs) and empower local communities to help the country achieve sustainable development goals (SDGs) (Sinaga, 2017). According to the early development of neo-institutional theory, the PKBL regulation (i.e., the Regulation of the Minister of SOEs No. PER-02/MBU/7/2017) exerts coercive influence leading to a conformity response to the partnership programme requirements (Bhinekawati, 2017). The PKBL initiative is in a similar vein; it has a partnership initiative with Lavazza, a leading Italian roaster, that was undertaken by empowering a number of farmers in Brazil, India, East Africa, Haiti and the Dominican Republic (see the case study in Civera et al., 2019).

Graph 6.10 shows the response to question 11. All 10 factors were very important to consider in choosing the stakeholder engagement method (with a mean of six, rounded to zero decimal places). The urgency of a sustainability issue for the company and stakeholders ranked number one. The urgency means 'the degree to which stakeholders' claims call for immediate attention' (Mitchell et al., 1997: 687). Roloff (2008) suggests that companies should

focus on urgent issues that affect their future relationship with their stakeholders, through multi-stakeholder dialogues.

The representativeness of the stakeholder groups (ranked second) needs to be considered in any stakeholder engagement method. For example, labour unions might be considered as being representative when their voice inclusively reflects the interests of the employees (Zappi, 2007). In the context of Indonesia's democracy as laid out in *Pancasila* (i.e., the country's five foundational concepts), the fourth foundation states *Kerakyatan yang Dipimpin oleh Hikmat Kebjaksanaan dalam Permusyawaratan/Perwakilan* (democracy led by the wisdom of deliberations among representatives). In Soeharto's era (1966-1998), the elected political parties sent their representatives to sit in the parliament (Tomsa, 2008). Recently, in the post-Soeharto, reform era, the people's representatives – as well as the president – have been directly elected (Butt, 2015). The people's representatives are expected to represent people's voices in the legislation process in the parliament (Honna, 2013) – where dialogic engagement is promoted in reaching consensus.

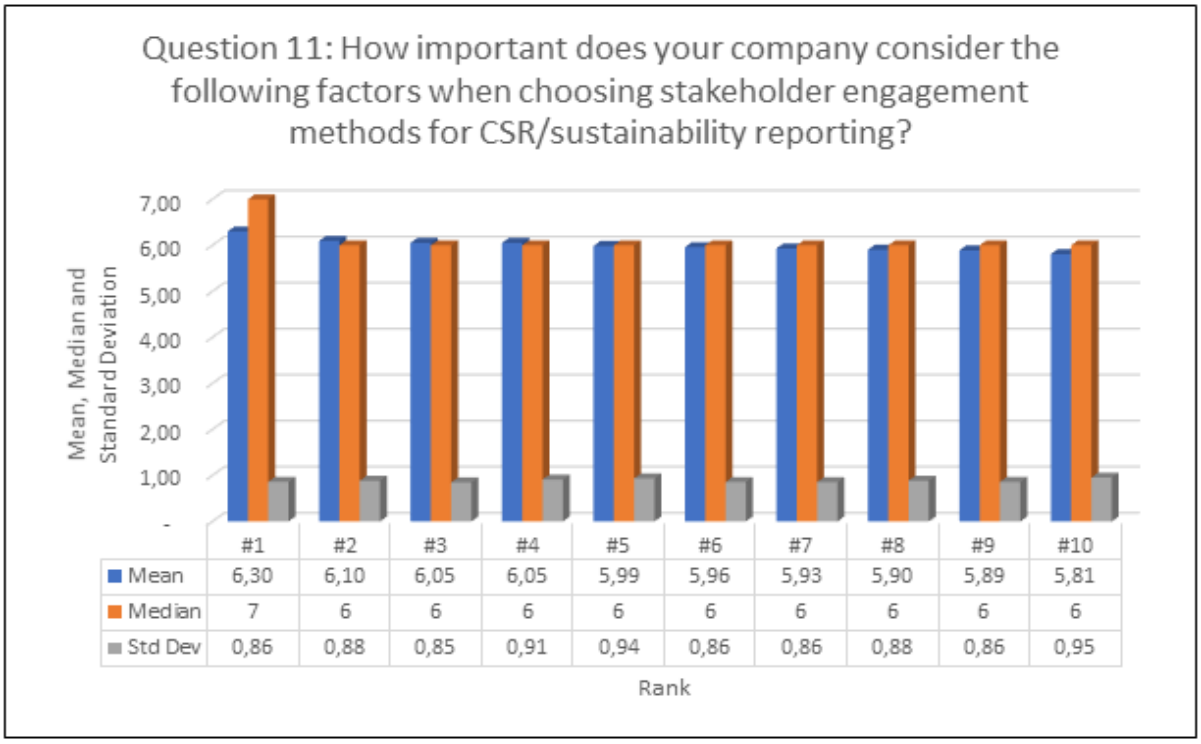
The expected participation/response rate (ranked third) in a dialogic forum or survey also needs to be considered. A study by Wang and Wart (2007) reveals that the magnitude of the stakeholders' participation reflects their trust, which arises from the ethical behaviour and competence shown by the institution inviting them to participate. In the meantime, the competence of the stakeholders to speak and act (ranked fourth) was considered a very important factor in choosing the stakeholder engagement methods. 'Literacy in English ... the ability to read and write, and access to a computer linked to the internet' were the entry competency requirements in a study of Shell's web forum by Unerman and Bennett (2004: 699). From this, the accessibility of the engagement method by the stakeholders (ranked fifth) is also a very important factor (see Adams and Frost, 2006a, 2006b). In Indonesia's sociocultural context, the stakeholders' formal education and knowledge on sustainability

affects their ability to participate in stakeholder engagement methods conducted by companies (Bhinekawati, 2017). For example, local communities with low literacy rates are less likely to be able to participate in the questionnaire survey, email and social media engagement methods.

It is also very important to consider the opportunity for the stakeholders to question and introduce any assertions, as well as to express their own attitudes, desires and needs (ranked sixth). This is in line with Habermas' ideal speech situation in that 'everyone is allowed to question any assertion whatsoever, everyone is allowed to introduce any assertion into the discourse and everyone is allowed to express [their own] attitudes, desires and needs' (Habermas, 1992: 89). Indonesia's growing democratisation in the reform era enables stakeholders to express their opinions on corporate sustainability in a dialogic engagement (Ghoshal, 2004; Törnquist, 2013).

The impact of sustainability issues on a company and stakeholders (ranked seventh) also needs to be considered. That is because negative news about a company may induce the stakeholders' negative sentiments about the company (Groening and Kanuri, 2018). The impacts can be in the form of a worsening company-stakeholder relationship (Van Huijstee and Glasbergen, 2010), CSR that is perceived to be corporate social irresponsibility (CSiR) (Groening and Kanuri, 2018) and lowering the purchase intent (Haigh et al., 2013). Therefore, Haigh et al. (2013) suggest companies pay attention to their communication strategies to manage any potential impacts from sustainability issues. According to the neo-institutional theory, disclosing only positive impacts while disregarding the negative ones reflect a symbolic/ceremonial reporting – a non-conformity response to the GRI's balanced information principle (Schons and Steinmeier, 2016).

Graph 6.10
Factors to Consider in Choosing Stakeholder Engagement Methods



Rank	Factors to Consider in Choosing Stakeholder Engagement Methods	Mean	Frequency of Likert Scale							
			7	6	5	4	3	2	1	Total
1	Urgency of the sustainability issue for the company and stakeholders	6.3	37	25	7	4	0	0	0	73
2	Representativeness of the stakeholder group	6.1	28	28	13	4	0	0	0	73
3	Expected participation/response rate	6.1	26	27	18	2	0	0	0	73
4	Competence of the stakeholders to speak and act	6.1	27	28	13	5	0	0	0	73
5	Accessibility of the engagement method by the stakeholders	6.0	25	28	14	6	0	0	0	73
6	Opportunity for the stakeholders to question and introduce any assertion, as well as to express their own attitudes, desires and needs	6.0	19	38	10	6	0	0	0	73
7	Impact of the sustainability issue on the company and stakeholders	5.9	17	40	11	4	1	0	0	73
8	Barriers that may prevent the stakeholders from exercising their own rights to speak and act	5.9	20	31	17	5	0	0	0	73
9	Stakeholder's power/influence on the company's operations and performance	5.9	17	36	16	3	1	0	0	73
10	Costs and benefits of the approach	5.8	16	38	8	11	0	0	0	73

Note: 7= Extremely Important; 6= Very Important; 5= Important; 4= Somewhat Important; 3= Unimportant; 2= Very Unimportant; 1= Extremely Unimportant.

The lack of environmental awareness by suppliers (Mathiyazhagan et al., 2013), the lack of legislation awareness affecting businesses (Simpson et al., 2004), the lack of public awareness and the lack of public pressure regarding sustainability (Shi et al., 2008) are barriers that may prevent stakeholders from exercising their right to speak and act (ranked eighth), for example in a dialogic stakeholder engagement forum. The stakeholders' power/influence over the company's operations and performance also needs to be considered when choosing a stakeholder engagement method (ranked ninth). Greco et al. (2015) suggested that 'meaningful consultation [with stakeholders] occurs when the stakeholders have the power to influence [the company's] strategic direction and advance new opportunities and proposals' (p. 471). In the context of Indonesia, the less powerful stakeholders (e.g., local communities with low literacy rates) are facilitated by the more powerful stakeholders (e.g., the government and NGOs) to convey their views in the companies' CSR planning known as *Musrenbang* (i.e., *Musyawarah Perencanaan Pembangunan* or dialogue on development planning) (Shahib et al., 2020).

The costs and benefits of stakeholder engagement approaches (ranked tenth) were also very important considerations. The stakeholder engagement in sustainability reporting requires commitment and funding, time and staffing. As Kaur and Lodhia (2019) suggest, 'the effectiveness of stakeholder engagement can be undermined by the availability of resources – *finances*, staff and time, as these three are crucial to determine the scope, frequency and *choice of engagement methods*' (p. 176, emphasis added).

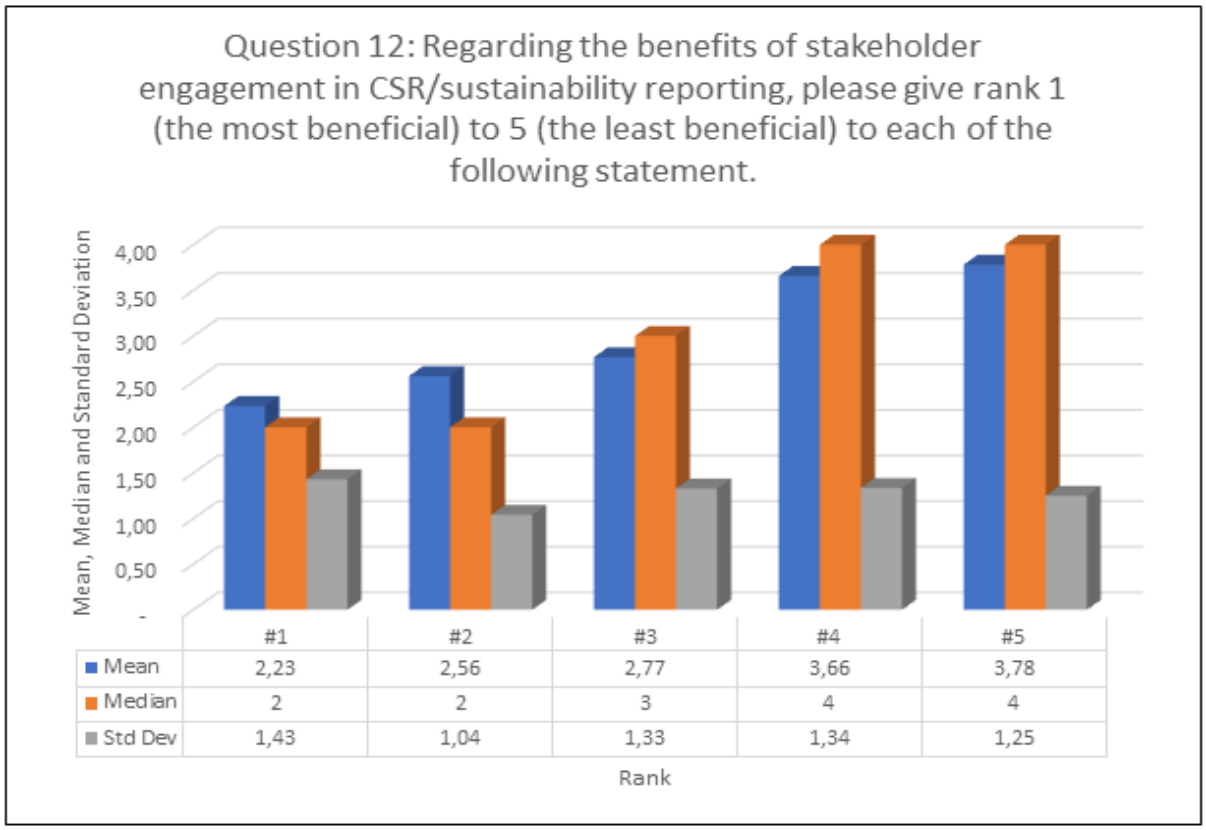
This subsection presented various stakeholder engagement methods chosen by the respondents. They considered a variety of factors when choosing the methods. Among them, the urgency of the sustainability issue ranked number one. The next subsection outlines the perceived role of stakeholder engagement in sustainability reporting.

6.3.3. The Perceived Role of Stakeholder Engagement in Sustainability Reporting

Graph 6.11 presents the response to question 12 about the advantages of stakeholder engagement in sustainability reporting. Stakeholder engagement was perceived as advantageous in determining the material topics to be disclosed in sustainability reports (ranked number one). In Indonesia's legal context, CSR regulations (e.g., Corporation Law No. 40 of 2007) do not require companies to engage with their external stakeholders in determining the report contents. However, the growing democratisation in Indonesia offers an arena in which to foster dialogic engagement in determining what matters to the company and stakeholders (Patunru et al., 2018). Puroila and Mäkelä (2019) found that stakeholder engagement helps define the reports' contents whereby the company and its stakeholders co-determine the sustainability topics deemed material to be included in the sustainability reports.

Another advantage of the stakeholder engagement, acknowledged by the respondents, was that the company and its stakeholders can jointly resolve the company's economic, social and environmental problems (ranked second). This is because companies are a part of the surrounding society/community (Deegan and Unerman, 2011) and depend on the resources that society supplies (Schnittfeld and Busch, 2016). Consequently, the company's economic, social and environmental problems are also the problems experienced by society. In the context of Indonesia, social and environmental problems are discussed to find out the solutions in *Musrenbang* – a dialogic development planning forum attended by the company, local government and local communities, among other relevant stakeholder groups (Shahib et al., 2020). This is in line with a study by Wheeler et al. (2002) who stated that Shell and the Ogoni people in Nigeria are striving to overcome the social and environmental problems generated by the economic benefits of oil exploration.

Graph 6.11
Benefits of Stakeholder Engagement in Sustainability Reporting



Rank	Benefits of Stakeholder Engagement in Sustainability Reporting	Mean	Frequency of Ranking					
			5	4	3	2	1	Total
1	To determine the material topics to be disclosed in the company's CSR/sustainability report	2.2	8	8	12	10	35	73
2	To jointly resolve the company's economic, social and environmental problems	2.6	2	13	20	27	11	73
3	To collect information about the stakeholders' expectations and interests about the company's economic, social and environmental issues	2.8	8	15	20	12	18	73
4	To help anticipate the company's future economic, social and environmental issues	3.7	25	22	9	10	7	73
5	To validate (check and approve) the contents of the company's CSR/sustainability report	3.8	30	15	12	14	2	73

Note: Ranking: 1= The Most Beneficial; 2= Very Beneficial; 3= Beneficial; 4= Not very Beneficial; 5= The Least Beneficial

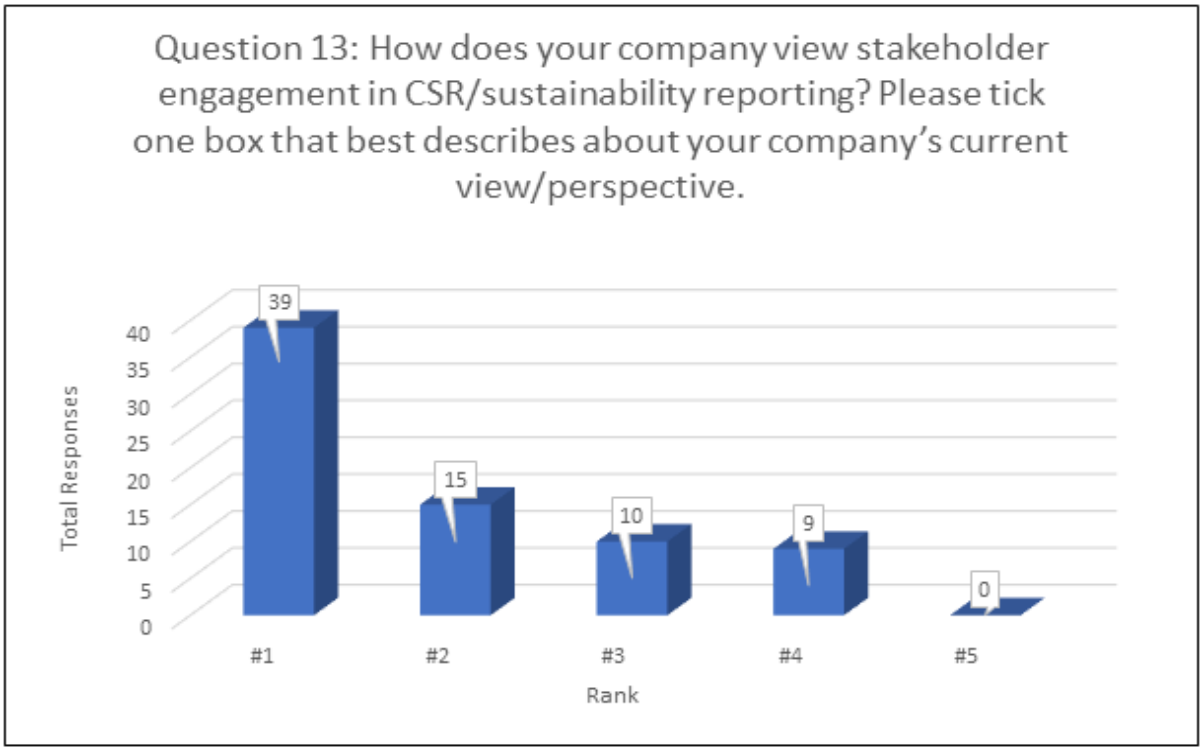
The respondents also recognised that the stakeholder engagement can be used to collect information about the stakeholders' expectations and interests in the company's economic, social and environmental issues (ranked third). This is in line with a study by Amaeshi and Crane (2006) who noted that stakeholder engagement in the aviation industry is aimed at 'understanding the relations with stakeholders, highlighting any potential for conflicts of interest and expectations' (p. 251). Stakeholder engagement has the potential to mitigate a gap between what companies disclose and what stakeholders expect to see in sustainability reports (Adams, 2004; Bellucci and Manetti, 2019; Gunawan, 2010, 2021). Stakeholder engagement is also believed to help anticipate companies' future economic, social and environmental issues (ranked fourth). This is in line with Kaur and Lodhia (2018) who found that *proactive* stakeholder engagement for managing sustainability impacts was undertaken to gain the support of the stakeholders.

The stakeholder engagement can validate (check and approve) the contents of a company's CSR/sustainability reports (ranked fifth). A study by Barrena-Martínez et al. (2017) supports this finding, as academics and professionals already play a role in validating the contents of CSR reports with regard to human resource policies and practices in large Spanish companies. In contrast, a study by Boiral et al. (2019b) found superficial or symbolic verifications in that 'the verification process is limited to the managers of the company and not to the stakeholders' (p. 1117). The neo-institutional theory was used in their study to explain the superficial/symbolic verifications – the non-conformity response by seeking legitimacy while promoting internal interests.

Graph 6.12 shows the response to question 13 about various views on stakeholder engagement in sustainability reporting. There were 39 respondents who viewed it as a mechanism for gathering information about the stakeholders' expectations of and interests in the sustainability issues. Divergent sustainability views gathered through consultations with

the stakeholders may only be considered as opinions but there is no guarantee that their views will be followed through on (Friedman and Miles, 2006). According to the neo-institutional theory, 'broader institutions reflecting the regulatory forces, economic systems, social normative forces, and cultural cognitive forces of a specific country or region... are indispensable to guarantee that companies respond to their stakeholders' interests' (Chen and Wan, 2020: 488).

Graph 6.12
Views on Stakeholder Engagement in Sustainability Reporting



Rank	Views on Stakeholder Engagement in Sustainability Reporting	Total
1	A mechanism for gathering information about stakeholders' expectations of and interests in the company's economic, social and environmental issues	39
2	A mechanism for two-way dialogue with the stakeholders to involve them in resolving the company's economic, social and environmental concerns	15
3	A mechanism for two-way dialogue with the stakeholders about the company's economic, social, and environmental concerns	10
4	A mechanism for providing information to the stakeholders about the company's economic, social and environmental issues	9
5	A mechanism for empowering the stakeholders by including their representatives in the company's formal structure and involving them in the company's strategy formulation, operations and governance	0

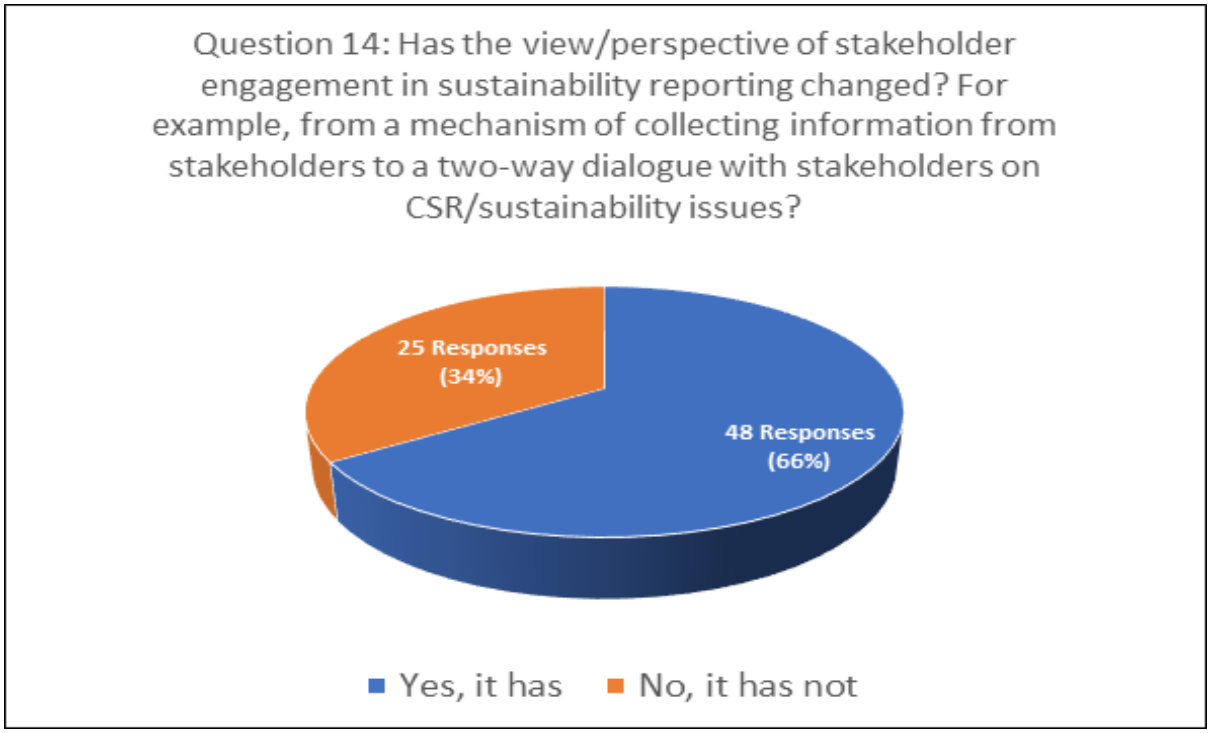
The views ranked second (15 responses) and third (10 responses) were similar in the use of a two-way dialogue mechanism, except that the former utilised the stakeholder engagement to resolve the company's economic, social and environmental issues. In the meantime, nine respondents viewed the stakeholder engagement in sustainability reporting as a mechanism for providing information to the stakeholders about the company's economic, social and environmental issues (ranked fourth). The two-way dialogue mechanism (e.g., a focus group discussion) reflects a greater corporate openness to the stakeholders' feedback and criticism regarding future performance improvements, as opposed to the one-way communication (e.g., providing information via brochures) which reflects greater management discretion and potentially sacrifices the company's openness with the stakeholders (Bellucci and Manetti, 2019). The growing democratisation in Indonesia under the principle known as *musyawarah untuk mufakat* (deliberations to reach a consensus) enables dialogic stakeholder engagement in sustainability reporting to take place. Ferry et al. (2019: 96) posit that the neo-institutional theory can explain 'a variation of democratic deliberation process'. From this, the theory is able to shed light on the practice variations of stakeholder engagement in different institutional contexts.

None of respondents viewed the stakeholder engagement in sustainability reporting as a mechanism for empowering the stakeholders by including their representatives in the company's formal structure and involving them in the company's strategy formulations, operations and governance. In the Indonesian legal context, independent commissioners are considered to be the representatives of the external stakeholders for promoting good corporate governance (GCG). According to the Financial Services Authority Regulation No. 33/POJK.04/2014 concerning the Board of Directors and Commissioners of Listed or Public Companies, board commissioners are the group of people that are responsible for overseeing and advising the members of the board of directors (Article 1 Paragraph 3). Independent

commissioners are members of the board of commissioners, but come from outside of the company (Article 1 Paragraph 4) and they must form at least 30 per cent of the total number of members of the board of commissioners (Article 20 Paragraph 3). From this legal perspective, the inclusion of external stakeholders' representatives in the formal structure is viewed more as the companies' response to the legal requirement in the context of GCG than for its relevance to sustainability reporting's context.

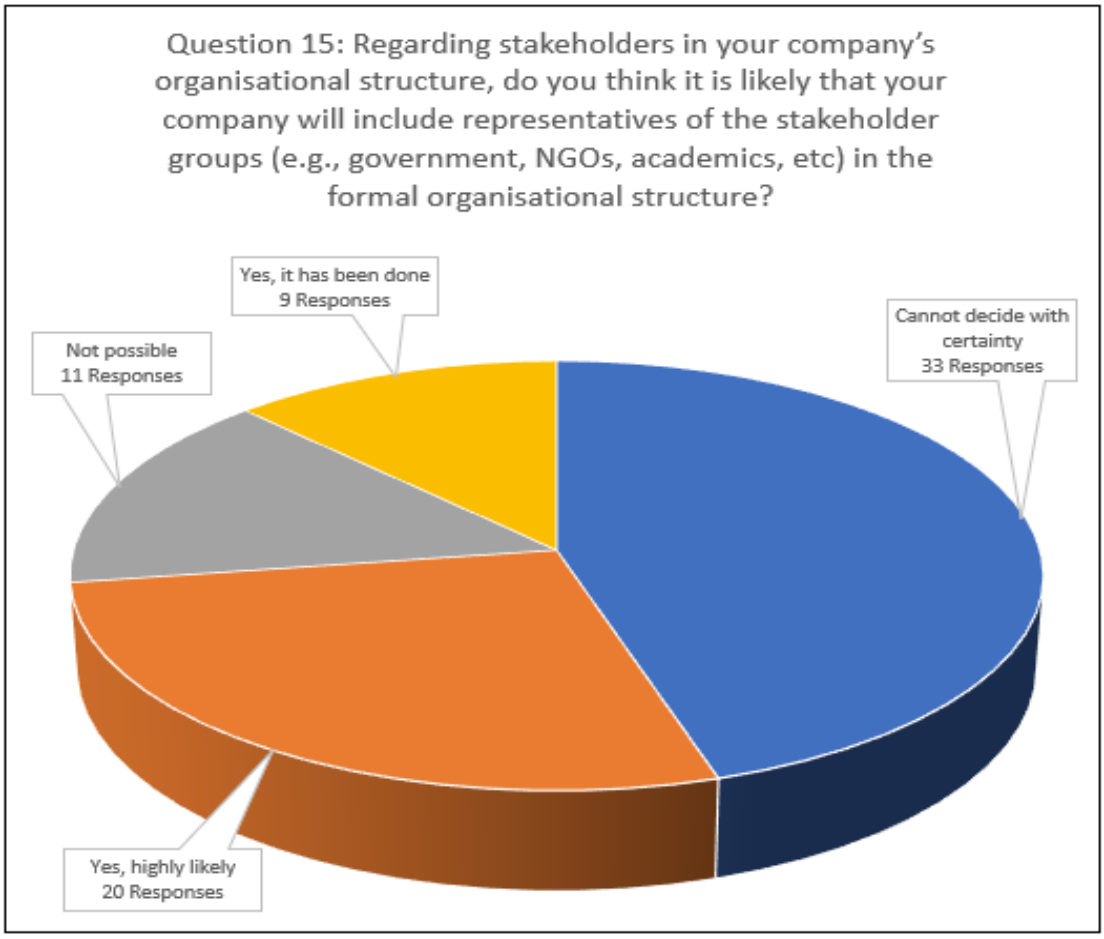
Graph 6.13 shows the response to question 14. The respondents were asked if their views about the stakeholder engagement in sustainability reporting had changed, for example from merely providing sustainability information to the stakeholders to a mechanism for two-way dialogue with the stakeholders on CSR/sustainability issues. There were 48 respondents who stated yes. This indicates that the perspective of the sustainability reports' preparers in Indonesia about the stakeholder engagement has shifted in the continuum towards dialogic engagement. This is in line with a study by Unerman and Bennett (2004) where the engagement of Shell's stakeholders moved away from simple managerial prioritisation of their perceptions of economically powerful stakeholders' expectations to a dialogic engagement constituting a more ideal speech situation. The neo institutional theory is able to explain the practice variations – including the change in stakeholder engagement (Mahmood and Uddin, 2021).

Graph 6.13
A Change in the Perspective of Stakeholder Engagement in Sustainability Reporting



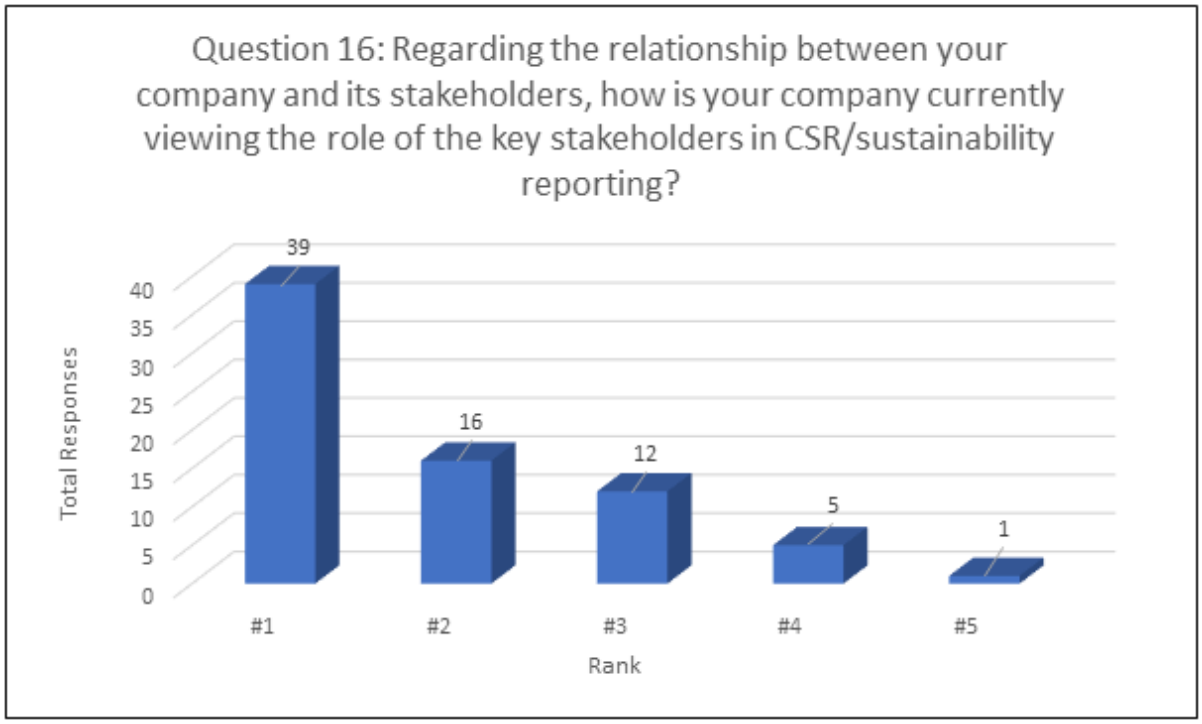
Graph 6.14 shows the response to question 15. There were 11 respondents who stated that it was not possible to have external stakeholders' representatives in their companies' formal structure whereas 33 respondents could not decide with any certainty. Only nine respondents admitted that their companies have included the representatives of their external stakeholders in the companies' organisational structure. The other 20 respondents stated that it is highly likely that the external stakeholder representatives are included in their companies' organisational structure. De Graaf and Herkströter (2007: 178) posit that 'stakeholders may structurally exercise control over a company through their position towards the company's management as it is defined in the governance structure'. 'From [the] neo-institutional [theory's] legitimation perspective, larger governing boards may better connect organisations with their external environment because they are associated with more diverse *stakeholder representation*, experience, expertise and skills, thereby helping to attract critical resources, including finance' (Kilincarslan et al., 2020: 744, emphasis added).

Graph 6.14
The Representative of Stakeholder Groups in the Organisational Structure



Graph 6.15 reveals the response to question 16 on the role of key stakeholders. There were 16 respondents who only perceived the key stakeholders to be the users of sustainability reports (ranked second). This finding indicates that sustainability reports are demanded by the key stakeholders even though the issuance of standalone sustainability reports in Indonesia is voluntary. According to the early development of neo-institutional theory, companies voluntarily issue sustainability reports as their conformity response to institutional (coercive, normative and mimetic) pressures (Zhao and Patten, 2016). Amran and Ooi (2014) posit that voluntary sustainability reporting is often triggered by companies' responses to their key stakeholders' demands.

Graph 6.15
The Perceived Role of Key Stakeholders in CSR/Sustainability Reporting



Rank	The Perceived Role of Key Stakeholders in Sustainability Reporting	Total
1	The key stakeholders, together with the company, are involved in determining the content of the reports as well as the users of the reports	39
2	The key stakeholders are the users of sustainability reports	16
3	The contents of the reports are determined by the company while the key stakeholders only check and approve the content. The key stakeholders are the users of the sustainability reports	12
4	The key stakeholders, together with the company, are involved in determining, checking and approving the content of the sustainability reports. The key stakeholders are the users of the sustainability reports	5
5	Other: The interests of key stakeholders are discussed in the contents of the reports. The the key stakeholders are the users of the reports	1

The roles of key stakeholders, other than as the users of the sustainability reports, are threefold. First, the key stakeholders, together with the company, are involved in determining the content of the reports (ranked number one). This is in line with a study by Manetti and Toccafondi (2014) who found that key stakeholders co-determined the reports' content, along with the reporting organisation. This was also in line with the response to question 12 outlined previously regarding the advantage of the stakeholder engagement in determining the material topics to be disclosed in the companies' CSR/sustainability reports.

In the absence of the key stakeholders' views in the materiality assessments, disappointment may arise from the key stakeholders who feel that the sustainability disclosures in the sustainability reports do not sufficiently represent their expectations (Beske et al., 2020). Consequently, the reliability of such sustainability reports is questionable because sustainability information is compiled from the perspective of the reports' preparers instead of a broad range of stakeholders (see Baker, 2010; O'Dwyer, 2003; Owen et al., 2000).

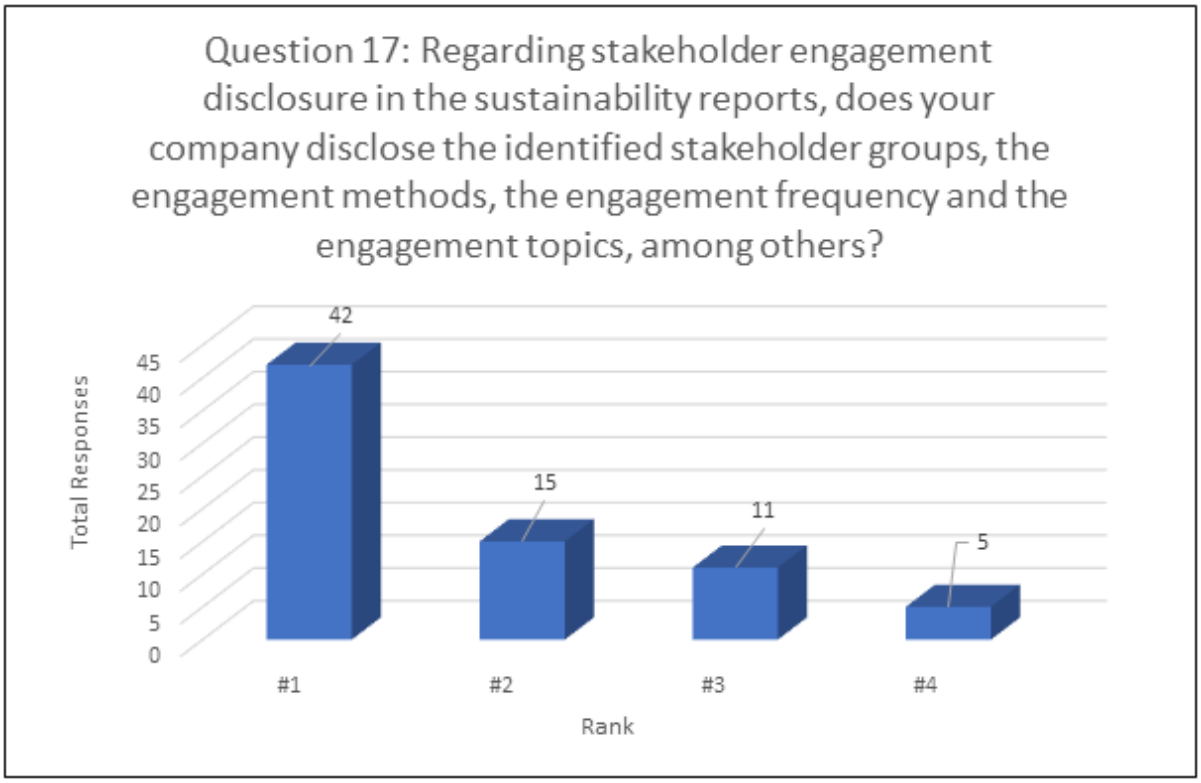
Second, key stakeholders do not only determine the material topics to be included in sustainability reports along with the company but also play a role by checking and approving the reports' contents (ranked fourth with five responses). Third, the key stakeholders only validate the reports' content prepared by the company (ranked third with 12 responses). The role of the key stakeholders in validating the reports' content aims to add to the reliability of the produced sustainability reports (Barrena-Martínez et al., 2017).

There was one respondent who chose the option 'other' by writing 'the interests of the key stakeholders are discussed in the contents of the report and the key stakeholders are the users of the reports'. The respondent clearly admitted that the key stakeholders are the reports' users. Besides, the respondent seems to have consulted with the key stakeholders to capture their views. However, it is unclear if the key stakeholders have been involved in the materiality assessment. In the case of them not being involved, sustainability reports may be compiled selectively. In that way, the reports comprise sustainability views that have positive impacts on the company's reputation but may not contain material deemed to be suitable by the key stakeholders, while not disclosing negative sustainability issues that actually matter to the key stakeholders. From this standpoint, a non-inclusive stakeholder engagement may induce 'selective, incomplete and/or biased disclosures' (Cho et al., 2015: 80).

Graph 6.16 shows the response to question 17 about the stakeholder engagement disclosures in sustainability reports. There were 11 respondents who claimed that they have

fully disclosed all the stakeholder engagement practices in their CSR/sustainability reports, whereas five respondents stated they did not disclose their stakeholder engagement practices at all.

Graph 6.16
Stakeholder Engagement Disclosure in Sustainability Report



Rank	Stakeholder Engagement Disclosure in Sustainability Report	Total
1	Yes, but we only disclose the information partially (not fully) in the CSR/sustainability reports because the disclosure and the reporting are voluntary	42
2	Yes, but we only disclose the information partially (not fully) in the CSR/sustainability reports because some information is confidential and/or sensitive and may pose a threat to our business	15
3	Yes, we fully disclose all the information in the CSR/sustainability reports	11
4	Not disclosed at all in the CSR/sustainability reports	5

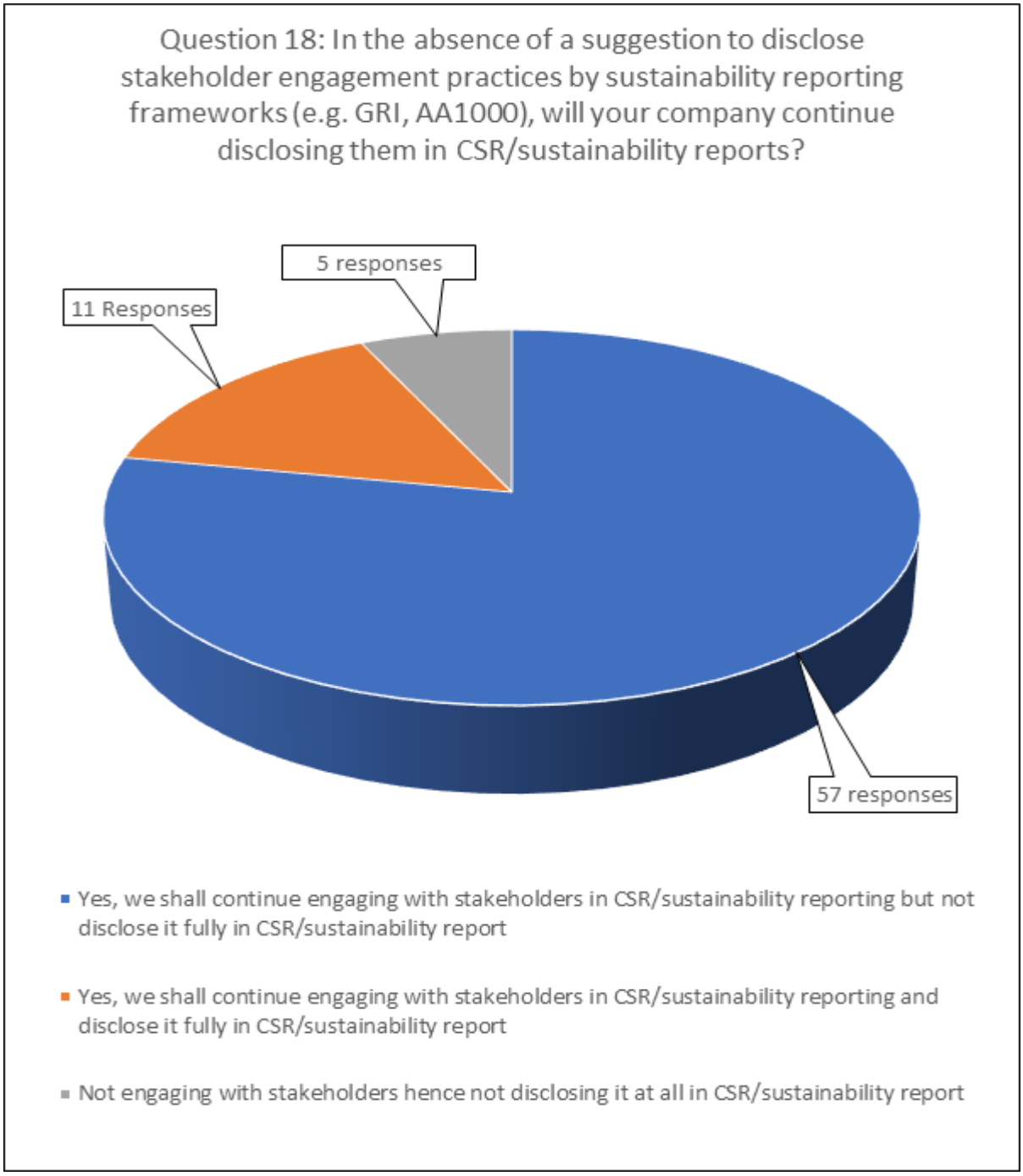
The full disclosure of stakeholder engagement practices in the sustainability reports helps connect the corporate sustainability disclosures and the stakeholders' concerns (Bradford et al., 2017). In the absence of the stakeholder engagement disclosures, it is unlikely that the

users of the sustainability reports would understand the context of why particular economic, social and environmental topics are disclosed, but not others and who would be interested in those topics (Bellucci and Manetti, 2019).

In the meantime, there were 42 respondents who claimed that they disclosed their stakeholder engagement information partially (not fully) in their CSR/sustainability reports because the stakeholder engagement disclosures and sustainability reporting were voluntary in nature, whereas 15 respondents stated that their partial stakeholder engagement disclosures in their sustainability reports were because some information was perceived to be confidential and/or sensitive and might threaten their business. This is in line with Kaur and Lodhia (2018) who stated that the stakeholder engagement disclosures among local councils in Australian did not fully reflect their stakeholder engagement practices.

Graph 6.17 shows the response to the last question in the questionnaire survey. The respondents were asked if they would disclose their stakeholder engagement practices in their sustainability reports in the absence of a suggestion to do so by a sustainability reporting framework. The graph reveals that 57 respondents would not fully disclose their engagement practices whereas 11 respondents would fully disclose them. In the meantime, five respondents would not disclose their stakeholder engagement practices. GRI (2013, 2016) as a widely-used sustainability reporting framework suggests companies should disclose their stakeholder engagement practices, such as who the company's stakeholders are, how they are engaged, what the engagement is about and how the content of the sustainability reports is defined. Therefore, from the framework's standpoint, stakeholder engagement should be translated into disclosure in the sustainability reports. Seen through the neo-institutional theory lens, not fully disclosing stakeholder engagement in the sustainability report reflects the non-conformity response to the framework (Boiral et al., 2019b).

Graph 6.17
Disclosing Stakeholder Engagement in the Absence of a Disclosure Requirement



The respondents who decided not to fully disclose their stakeholder engagement, regardless of the presence or absence of the suggestion, had the intention to create a gap between the practices and the disclosures. This is in line with Bromley and Powell (2012), that the creation of a policy-practice gap tends to be intentional. This intention underscores the response to question 17 outlined previously, that the partial disclosure was due to voluntary

sustainability reporting. In the meantime, the respondents who decided to disclose (either fully or partially) their stakeholder engagement when the framework suggested to do so, but then decided not to disclose it in the absence of such a suggestion, indicated that their stakeholder engagement was seemingly not authentic. Authentic or substantive stakeholder engagement requires consistency in the actions towards accountability regardless of the presence or absence of a suggestion to report the practices of the stakeholder engagement by the framework (Dawkins, 2014).

This subsection presented the perceived role of the stakeholder engagement in sustainability reporting. The subsection shows that the key stakeholders, as the users of sustainability reports, play a role in defining the reports' content along with the companies. However, the majority of the respondents decided not to fully disclose their stakeholder engagement in their sustainability reports due to it only being voluntary reporting. The next section summarises this chapter.

6.4. SUMMARY

This chapter outlines the research findings from the questionnaire survey. The report preparers in Indonesia contemplated a broad range of media to use to voluntarily report their sustainability issues, performance and agendas. In this regard, initiatives and support from each company's top management are considered to be extremely important in communicating sustainability information via the media chosen for the reporting. Among various motives for reporting, promoting transparency and accountability ranked number one. The majority of the respondents admitted that they used consultants for their sustainability reporting. With regard to participating in the ISRA, companies in Indonesia have been enthusiastic about participating in the event. With this they attempt to signal to their stakeholders that they are serious about sustainability reporting.

The report preparers in Indonesia have also considered divergent stakeholder groups in their sustainability reporting. The government, the authoritative bodies and the shareholders were the top three users of sustainability reports as well as very influential stakeholders. Different stakeholder groups were engaged by using different stakeholder engagement methods. In doing so, the report preparers considered various factors in selecting the stakeholder engagement methods. Among them, the urgency of the sustainability issues ranked number one. The stakeholder engagement in sustainability reporting is better understood as a mechanism for capturing sustainability views from the stakeholders and using this information to determine the material topics included in the sustainability reports. In translating stakeholder engagement into disclosure, the majority of the respondents opted not to fully disclose the practices in their sustainability reports, considering that sustainability reporting was done on a voluntary basis in Indonesia.

CHAPTER 7

FINDINGS FROM SUSTAINABILITY REPORTS

7.1. OVERVIEW

This chapter presents the research findings from the sustainability reports. It is important to note that content analysis was conducted on 120 sustainability reports covering the period between 2007 and 2018. The reports were issued by the 15 companies that responded to the questionnaire survey and participated in the interviews (represented by the preparers of these reports, coded COMP1 to COMP15). The companies being studied have attempted to meet the Global Reporting Initiative (GRI) indicators on stakeholder engagement despite the voluntary sustainability reporting in Indonesia. This is indicated by the greater number of disclosed than non-disclosed indicators found by analysing the content of the sustainability reports.

This chapter is structured as follows. Section 7.2 presents the overall results of the content analysis. Section 7.3 to Section 7.8 outline disclosures about the stakeholders' identification and selection, stakeholder engagement approaches, stakeholder engagement topics, materiality in sustainability reporting, dealing with divergent stakeholder views and the use of social media. Section 7.9 summaries the chapter.

7.2. OVERALL RESULTS OF CONTENT ANALYSIS

To reiterate, the content analysis was undertaken by assessing a binary stakeholder engagement disclosure index (i.e., present or not present). The disclosure index was developed based on indicators suggested by the GRI and previous studies. The procedure for the content analysis in this research was in line with a study conducted by Manetti and Toccafondi (2014), in that the content analysis of GRI-based stakeholder engagement disclosures 'enables

verification of the level of SE [stakeholder engagement] and participation in the reporting system' (p. 42). The detailed procedure for the content analysis is shown in Appendix 2.

Table 7.1 shows the stakeholder engagement disclosures. Overall, the disclosures are found more in the reports issued by the non-award-winning companies in the Indonesia Sustainability Reporting Award (ISRA). From the neo-institutional theory's perspective, the non-award-winning companies tend to mimic the perceived best reporting practice from the award-winning companies (Amran and Haniffa, 2011). The stakeholder engagement disclosures are also found more in the reports issued by the listed companies on the Indonesia Stock Exchange (IDX) and the non-state-owned enterprises (SOEs)/private companies than their counterparts. In Indonesia's legal context, there is no regulation that requires companies to disclose their stakeholder engagement in any reporting medium[9]. According to Adhariani and du Toit (2020), NCSR (National Center for Sustainability Reporting) has introduced the GRI-based sustainability reporting in Indonesia through training courses – which exerts normative influence on what to disclose.

Table 7.1 reveals that there are 11 out of 15 items of the stakeholder engagement disclosures where the presence outweighs the absence. From this standpoint, the GRI indicators have not been fully followed, due to voluntary sustainability reporting in Indonesia at the time this research was undertaken and GRI not being a mandatory reporting standard. However, the greater number of disclosed than non-disclosed indicators show that the companies in this study attempted to meet the GRI indicators, as the most widely used reporting framework.

[9] Coercive pressures are in the form of corporate social responsibility (CSR) reporting mandated by the government and authoritative bodies. For example, Corporation Law No. 40 of 2007 exerts coercive pressures on CSR reporting in the annual report, regardless of whether they are listed/non-listed companies and SOEs/Non-SOEs as long as their business activities are in the field of and/or related to natural resources. In addition to the Corporation Law, listed companies on the IDX also need to comply with the Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency No. KEP-134/BL/2006 which requires them to report their CSR to the capital market authoritative body. Meanwhile, SOEs must comply with the Regulation of Minister of State-Owned Enterprises No. PER-02/MBU/7/2017 which requires them to report their CSR to the Ministry of SOEs. These regulations require companies to engage with their relevant stakeholders in planning and implementing their CSR but they do not require companies to report their stakeholder engagement as suggested by the GRI.

Table 7.1
Stakeholder Engagement Disclosures

Section	Stakeholder Engagement Disclosures	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
7.3	Stakeholder engagement section (G4-24 to G4-27; GRI Standard Disclosure 102 to 103)	108	COMP1 (11 reports); COMP2 (7 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP7 (5 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (10 reports); COMP11 (10 reports); COMP12 (10 reports); COMP13 (4 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (56 reports); Automotive (7 reports); Pharmaceutical (6 reports); Banking (19 reports); Agriculture (5 reports); Cement (5 reports); Telecommunications (10 reports).	Award-Winning Companies (33 reports) Non-Award-Winning Companies (75 reports)	Listed Companies (95 reports) Non-Listed Companies (13 reports)	SOEs (35 reports) Non-SOEs (73 reports)
	List of stakeholder groups (GRI G4-24; GRI Standard Disclosure 102-40)	115	COMP1 (12 reports); COMP2 (12 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (10 reports); COMP12 (9 reports); COMP13 (4 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (57 reports); Automotive (12 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (32 reports) Non-Award-Winning Companies (83 reports)	Listed Companies (101 reports) Non-Listed Companies (14 reports)	SOEs (44 reports) Non-SOEs (71 reports)
	Basis for identifying and selecting stakeholder groups (GRI G4-25; GRI Standard Disclosure 102-42)	67	COMP1 (9 reports); COMP3 (6 reports); COMP4 (6 reports); COMP7 (2 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (2 reports); COMP11 (10 reports); COMP12 (6 reports); COMP13 (1 report); COMP14 (11 reports); COMP15 (1 report).	Mining (44 reports); Pharmaceutical (6 reports); Banking (6 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (2 reports).	Award-Winning Companies (22 reports) Non-Award-Winning Companies (45 reports)	Listed Companies (59 reports) Non-Listed Companies (8 reports)	SOEs (16 reports) Non-SOEs (51 reports)

Section	Stakeholder Engagement Disclosures	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
7.4	Stakeholder engagement approaches (GRI G4-26; GRI Standard Disclosure 102-43)	108	COMP1 (12 reports); COMP2 (11 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (6 reports); COMP11 (10 reports); COMP12 (10 reports); COMP13 (2 reports); COMP14 (11 reports); COMP15 (1 report).	Mining (52 reports); Automotive (11 reports); Pharmaceutical (6 reports); Banking (19 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (6 reports).	Award-Winning Companies (29 reports) Non-Award-Winning Companies (79 reports)	Listed Companies (98 reports) Non-Listed Companies (10 reports)	SOEs (41 reports) Non-SOEs (67 reports)
	Stakeholder engagement approaches specifically as a part of the report preparation process (GRI G4-26; GRI Standard Disclosure 102-43)	52	COMP1 (6 reports); COMP2 (1 report); COMP3 (6 reports); COMP4 (6 reports); COMP5 (4 reports); COMP7 (2 reports); COMP8 (6 reports); COMP9 (5 reports); COMP11 (6 reports); COMP12 (6 reports); COMP13 (3 reports); COMP15 (1 report).	Mining (28 reports); Automotive (1 report); Pharmaceutical (6 reports); Banking (10 reports); Agriculture (2 reports); Cement (5 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (46 reports)	Listed Companies (42 reports) Non-Listed Companies (10 reports)	SOEs (19 reports) Non-SOEs (33 reports)
	Stakeholder engagement frequency (GRI G4-26; GRI Standard Disclosure 102-43)	89	COMP1 (11 reports); COMP2 (9 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (8 reports); COMP6 (1 report); COMP7 (2 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (2 reports); COMP11 (7 reports); COMP12 (7 reports); COMP13 (2 reports); COMP14 (10 reports); COMP15 (1 report).	Mining (47 reports); Automotive (9 reports); Pharmaceutical (6 reports); Banking (15 reports); Agriculture (3 reports); Cement (7 reports); Telecommunications (2 reports).	Award-Winning Companies (23 reports) Non-Award-Winning Companies (66 reports)	Listed Companies (79 reports) Non-Listed Companies (10 reports)	SOEs (34 reports) Non-SOEs (55 reports)

Section	Stakeholder Engagement Disclosures	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
7.5	Stakeholder engagement topics (GRI G4-27; GRI Standard Disclosure 102-44)	110	COMP1 (12 reports); COMP2 (12 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (8 reports); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (10 reports); COMP12 (10 reports); COMP13 (2 reports); COMP14 (10 reports); COMP15 (3 reports).	Mining (53 reports); Automotive (12 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (6 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (30 reports) Non-Award-Winning Companies (80 reports)	Listed Companies (99 reports) Non-Listed Companies (11 reports)	SOEs (42 reports) Non-SOEs (68 reports)
	Linking stakeholder engagement topics and the identified stakeholder groups (GRI G4-27; GRI Standard Disclosure 102-44)	109	COMP1 (12 reports); COMP2 (11 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (8 reports); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (10 reports); COMP12 (10 reports); COMP13 (2 reports); COMP14 (10 reports); COMP15 (3 reports).	Mining (53 reports); Automotive (11 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (6 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (30 reports) Non-Award-Winning Companies (79 reports)	Listed Companies (98 reports) Non-Listed Companies (11 reports)	SOEs (41 reports) Non-SOEs (68 reports)
	Company's response to stakeholder engagement topics (GRI G4-27; GRI Standard Disclosure 102-44)	8	COMP2 (1 report); COMP9 (3 reports); COMP12 (2 reports); COMP14 (1 report); COMP15 (1 report).	Mining (2 reports); Automotive (1 report); Banking (2 reports); Cement (3 reports).	Award-Winning Company (1 report) Non-Award-Winning Companies (7 reports)	Listed Companies (7 reports) Non-Listed Company (1 report)	SOEs (5 reports) Non-SOEs (3 reports)

Section	Stakeholder Engagement Disclosures	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
7.6	List of material topics (GRI G4-19; GRI Standard Disclosure 102-47)	85	COMP1 (6 reports); COMP2 (5 reports); COMP3 (6 reports); COMP4 (6 reports); COMP5 (6 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (9 reports); COMP11 (6 reports); COMP12 (7 reports); COMP13 (3 reports); COMP14 (10 reports); COMP15 (3 reports).	Mining (40 reports); Automotive (5 reports); Pharmaceutical (6 reports); Banking (13 reports); Agriculture (7 reports); Cement (5 reports); Telecommunications (9 reports).	Award-Winning Companies (25 reports) Non-Award-Winning Companies (60 reports)	Listed Companies (72 reports) Non-Listed Companies (13 reports)	SOEs (32 reports) Non-SOEs (53 reports)
	Explaining the process for defining the report content (GRI G4-18; GRI Standard Disclosure 102-46)	74	COMP1 (7 reports); COMP2 (3 reports); COMP3 (6 reports); COMP4 (6 reports); COMP5 (7 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (4 reports); COMP11 (6 reports); COMP12 (6 reports); COMP13 (3 reports); COMP14 (5 reports); COMP15 (3 reports).	Mining (36 reports); Automotive (3 reports); Pharmaceutical (6 reports); Banking (13 reports); Agriculture (7 reports); Cement (5 reports); Telecommunications (4 reports).	Award-Winning Companies (16 reports) Non-Award-Winning Companies (58 reports)	Listed Companies (61 reports) Non-Listed Companies (13 reports)	SOEs (31 reports) Non-SOEs (43 reports)
	Explaining the implementation of reporting principles for defining the report content (GRI G4-18; GRI Standard Disclosure 102-46)	38	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (32 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (25 reports)

Section	Stakeholder Engagement Disclosures	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
7.7	Stakeholder grievance mechanism (GRI G4-EN34; GRI G4-LA16; GRI G4-HR12; GRI G4-SO11; GRI Standard Disclosure 103-2)	95	COMP1 (6 reports); COMP2 (11 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP7 (5 reports); COMP8 (2 reports); COMP9 (4 reports); COMP10 (10 reports); COMP11 (10 reports); COMP12 (10 reports); COMP14 (10 reports); COMP15 (2 reports).	Mining (40 reports); Automotive (11 reports); Pharmaceutical (6 reports); Banking (19 reports); Agriculture (5 reports); Cement (4 reports); Telecommunications (10 reports).	Award-Winning Companies (26 reports) Non-Award-Winning Companies (69 reports)	Listed Companies (87 reports) Non-Listed Companies (8 reports)	SOEs (33 reports) Non-SOEs (62 reports)
	Stakeholder feedback (GRI G4-37; GRI Standard Disclosure 102-21)	90	COMP1 (11 reports); COMP2 (12 reports); COMP3 (9 reports); COMP4 (5 reports); COMP5 (7 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (7 reports); COMP10 (9 reports); COMP11 (7 reports); COMP12 (10 reports); COMP13 (3 reports); COMP14 (3 reports); COMP15 (1 report).	Mining (38 reports); Automotive (12 reports); Pharmaceutical (5 reports); Banking (17 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (9 reports).	Award-Winning Companies (23 reports) Non-Award-Winning Companies (67 reports)	Listed Companies (81 reports) Non-Listed Companies (9 reports)	SOEs (33 reports) Non-SOEs (57 reports)
7.8	Stakeholder engagement through social media (AccountAbility (2015: 32)	26	COMP1 (3 reports); COMP2 (2 reports); COMP3 (1 report); COMP4 (6 reports); COMP5 (7 reports); COMP10 (1 report); COMP12 (6 reports).	Mining (4 reports); Automotive (2 reports); Pharmaceutical (6 reports); Banking (13 reports); Telecommunications (1 report).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (22 reports)	Listed Companies (20 reports) Non-Listed Companies (6 reports)	SOEs (9 reports) Non-SOEs (17 reports)

Source: Appendix 2A

This section presented the overall results of the content analysis. Despite being voluntary, companies in Indonesia seem to attempt to follow the GRI's suggestion to disclose stakeholder engagement in their sustainability reports. All 15 items of stakeholder engagement disclosures in Table 7.1 are outlined in more detail in the following sections.

7.3. STAKEHOLDER IDENTIFICATION AND SELECTION

Table 7.1 shows that 108 reports (90 per cent) follow the GRI's suggestion to include a stakeholder engagement section (see GRI G4-24 to G4-27 in GRI, 2013; see also GRI Standard Disclosure 102 to 103 in GRI, 2016). Reports providing a stakeholder engagement section were issued by 14 of 15 of the companies being studied (i.e., except COMP6). The disclosing companies vary in their business sectors (covering all sectors being studied, i.e., mining, automotive, pharmaceutical, banking, agriculture, cement and telecommunications). Stakeholder engagement sections are found more in the reports issued by the disclosing companies which are non-award-winning companies in the ISRA (73 reports), companies listed on the IDX (95 reports), and non-SOEs/private companies (73 reports). This is consistent with a study by Bellucci et al. (2019) that showed that 84.3 per cent of the reporting organisations in their study provided a separate section on stakeholder engagement. 'A separate section dedicated to stakeholder engagement makes the report more significant and material and the communication of stakeholder engagement more effective' (p. 1479).

GRI suggests companies 'provide a list of the stakeholder groups that are engaged' in their sustainability reports (see GRI G4-24 in GRI, 2013: 43; see also GRI Standard Disclosure 102-40 in GRI, 2016: 29). The presence of such disclosures indicates that companies are aware of the divergent stakeholder groups. Table 7.1 shows that 115 reports (95.8 per cent) provide a list of stakeholder groups. These reports were issued by all the companies being studied. Of the 115 reports, 83 were issued by the non-award-winning

companies in the ISRA, 101 were issued by the companies listed on the IDX, and 71 by the non-SOEs/private companies being studied. This finding is higher than that in a study by Kaur and Lodhia (2014) in which 82.6 per cent of the Australian local councils in their study disclosed their stakeholders' identities.

Considering that 'the report content draws upon the outcomes of stakeholder engagement processes used by the organisation in its *ongoing* activities' (GRI, 2013: 10, emphasis added), the identification of stakeholder groups needs to be undertaken every time companies prepare a sustainability report. From the dataset, it is evident that the stakeholder identification is carried out by stakeholder mapping. Panel A in Table 7.2 shows that 28 reports disclose the stakeholder mapping mechanism used to identify stakeholder groups every time the companies prepare their sustainability reports. However, it is evident in 25 other reports that once companies identified their stakeholders through the mapping, they used the mapping result for the next reporting periods. For example, COMP1 (2012: 15) states that the company completed stakeholder mapping in 2011. The results of this mapping were carried out throughout 2012, and would continue to be implemented in the future, until the map and plans are revised. Similarly, COMP8 (2017: 42) states that the company identified its stakeholders in 2015 through stakeholder mapping. The company would continue to use the mapping results until 2017 as a basis for stakeholder engagement. Remmer and Gilbert (2019) show that it is common to see companies undertaking intense stakeholder engagement in a reporting period but then they show less effort in the next reporting periods, since the business environment does not change significantly. The neo-institutional theory illuminates the symbolic response to the GRI's normative pressure (Haque and Ntim, 2018) by not maintaining the intense stakeholder engagement over time (Khan et al., 2021; Dawkins, 2014).

Table 7.2
List of Stakeholder Groups

Panel A. Stakeholder Mapping to Identify Stakeholder Groups

No	Stakeholder Mapping Mechanisms Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Undertaking stakeholder mapping in the reporting period	28	COMP1 (6 reports); COMP2 (7 reports); COMP5 (3 reports); COMP7 (3 reports); COMP8 (2 reports); COMP9 (2 reports); COMP11 (2 reports); COMP12 (1 report); COMP13 (2 reports).	Mining (12 reports); Automotive (7 reports); Banking (4 reports); Agriculture (3 reports); Cement (2 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (22 reports)	Listed Companies (26 reports) Non-Listed Companies (2 reports)	SOEs (17 reports) Non-SOEs (11 reports)
	'[COMP9] *has conducted mapping to identify its stakeholders*, based on their established influence in interactions and relations' (COMP9, 2013: 20).						
2	Using the results of stakeholder mapping from previous period(s)	25	COMP1 (4 reports); COMP2 (2 reports); COMP4 (1 report); COMP5 (5 reports); COMP7 (3 reports); COMP8 (2 reports); COMP9 (5 reports); COMP12 (1 report); COMP13 (2 reports).	Mining (8 reports); Automotive (2 reports); Pharmaceutical (1 report); Banking (6 reports); Agriculture (3 reports); Cement (5 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (21 reports)	Listed Companies (22 reports) Non-Listed Companies (3 reports)	SOEs (17 reports) Non-SOEs (8 reports)
	COMP7 (2014: 13) presents a figure showing that *stakeholder mapping was undertaken between 2009 and 2012* as a part of the company's roadmap towards RSPO (Roundtable on Sustainable Palm Oil) standardisation. The *next sustainability reporting periods* refer to the results of the mapping.						

Source: Appendix 2B

Panel B. The Identified Stakeholder Groups

Stakeholder Groups Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Employees	112	COMP1 (12 reports); COMP2 (12 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (7 reports); COMP11 (10 reports); COMP12 (9 reports); COMP13 (2 reports); COMP14 (12 reports); COMP5 (3 reports).	Mining (55 reports); Automotive (12 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (7 reports).	Award-Winning Companies (31 reports) Non-Award-Winning Companies (81 reports)	Listed Companies (100 reports) Non-Listed Companies (12 reports)	SOEs (44 reports) Non-SOEs (68 reports)
Government	109	COMP1 (12 reports); COMP2 (7 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (7 reports); COMP11 (10 reports); COMP12 (9 reports); COMP13 (4 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (57 reports); Automotive (7 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (7 reports).	Award-Winning Companies (31 reports) Non-Award-Winning Companies (78 reports)	Listed Companies (95 reports) Non-Listed Companies (14 reports)	SOEs (39 reports) Non-SOEs (70 reports)
Customers	108	COMP1 (12 reports); COMP2 (12 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (5 reports); COMP12 (9 reports); COMP13 (2 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (50 reports); Automotive (12 reports); Pharmaceutical (6 reports); Banking (18 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (32 reports) Non-Award-Winning Companies (76 reports)	Listed Companies (96 reports) Non-Listed Companies (12 reports)	SOEs (44 reports) Non-SOEs (64 reports)

Stakeholder Groups Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Local communities	102	COMP1 (11 reports); COMP2 (11 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (8 reports); COMP6 (1 report); COMP7 (6 report); COMP8 (4 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (4 reports); COMP12 (9 reports); COMP13 (2 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (46 reports); Automotive (11 reports); Pharmaceutical (6 reports); Banking (17 reports); Agriculture (7 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (31 reports) Non-Award-Winning Companies (71 reports)	Listed Companies (90 reports) Non-Listed Companies (12 reports)	SOEs (40 reports) Non-SOEs (62 reports)
Shareholders	94	COMP1 (10 reports); COMP2 (10 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (5 reports); COMP7 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (8 reports); COMP12 (9 reports); COMP14 (9 reports).	Mining (43 reports); Automotive (10 reports); Pharmaceutical (6 reports); Banking (14 reports); Agriculture (6 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (27 reports) Non-Award-Winning Companies (67 reports)	Listed Companies (88 reports) Non-Listed Companies (6 reports)	SOEs (34 reports) Non-SOEs (60 reports)
Suppliers	82	COMP1 (4 reports); COMP2 (8 reports); COMP3 (5 reports); COMP4 (6 reports); COMP5 (3 reports); COMP6 (1 report); COMP7 (6 reports); COMP8 (6 reports); COMP10 (7 reports); COMP11 (10 reports); COMP12 (9 reports); COMP13 (2 reports); COMP14 (12 reports); COMP15 (3 reports).	Mining (42 reports); Automotive (8 reports); Pharmaceutical (6 reports); Banking (12 reports); Agriculture (7 reports); Telecommunications (7 reports).	Award-Winning Companies (23 reports) Non-Award-Winning Companies (59 reports)	Listed Companies (70 reports) Non-Listed Companies (12 reports)	SOEs (27 reports) Non-SOEs (55 reports)

Stakeholder Groups Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Others*	62	COMP1 (12 reports); COMP2 (4 reports); COMP3 (7 reports); COMP4 (1 report); COMP5 (5 reports); COMP7 (3 reports); COMP8 (6 reports); COMP9 (2 reports); COMP10 (7 reports); COMP11 (6 reports); COMP12 (7 reports); COMP14 (2 reports).	Mining (33 reports); Automotive (4 reports); Pharmaceutical (1 report); Banking (12 reports); Agriculture (3 reports); Cement (2 reports); Telecommunications (7 reports).	Award-Winning Companies (21 reports) Non-Award-Winning Companies (41 reports)	Listed Companies (61 reports) Non-Listed Company (1 report)	SOEs (20 reports) Non-SOEs (42 reports)
Media	60	COMP1 (11 reports); COMP2 (1 report); COMP3 (7 reports); COMP4 (1 report); COMP5 (6 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (2 reports); COMP11 (5 reports); COMP12 (9 reports); COMP14 (5 reports).	Mining (34 reports); Automotive (1 report); Pharmaceutical (1 report); Banking (15 reports); Cement (7 reports); Telecommunications (2 reports).	Award-Winning Companies (18 reports) Non-Award-Winning Companies (42 reports)	Listed Companies (59 reports) Non-Listed Company (1 report)	SOEs (20 reports) Non-SOEs (40 reports)
Investors	55	COMP2 (4 reports); COMP3 (6 reports); COMP5 (3 reports); COMP7 (6 reports); COMP8 (6 reports); COMP9 (4 reports); COMP10 (7 reports); COMP11 (10 reports); COMP12 (9 reports).	Mining (22 reports); Automotive (4 reports); Banking (12 reports); Agriculture (6 reports); Cement (4 reports); Telecommunications (7 reports).	Award-Winning Companies (7 reports) Non-Award-Winning Companies (48 reports)	Listed Companies (55 reports)	SOEs (23 reports) Non-SOEs (32 reports)
Society	33	COMP2 (4 reports); COMP3 (4 reports); COMP4 (1 report); COMP8 (6 reports); COMP10 (3 reports); COMP11 (4 reports); COMP14 (11 reports).	Mining (25 reports); Automotive (4 reports); Pharmaceutical (1 report); Telecommunications (3 reports).	Award-Winning Companies (14 reports) Non-Award-Winning Companies (19 reports)	Listed Companies (32 reports) Non-Listed Company (1 report)	SOEs (10 reports) Non-SOEs (23 reports)

Stakeholder Groups Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Non-government organisations (NGOs)	32	COMP1 (6 reports); COMP2 (1 report); COMP5 (6 reports); COMP7 (6 reports); COMP9 (2 reports); COMP12 (9 reports); COMP13 (2 reports).	Mining (8 reports); Automotive (1 report); Banking (15 reports); Agriculture (6 reports); Cement (2 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (26 reports)	Listed Companies (30 reports) Non-Listed Companies (2 reports)	SOEs (15 reports) Non-SOEs (17 reports)
Industry associations	23	COMP1 (4 reports); COMP2 (1 report); COMP4 (1 report); COMP5 (3 reports); COMP7 (6 reports); COMP10 (4 reports); COMP12 (4 reports).	Mining (4 reports); Automotive (1 report); Pharmaceutical (1 report); Banking (7 reports); Agriculture (6 reports); Telecommunications (4 reports).	Award-Winning Companies (8 reports) Non-Award-Winning Companies (15 reports)	Listed Companies (22 reports) Non-Listed Company (1 report)	SOEs (10 reports) Non-SOEs (13 reports)
Academics	16	COMP1 (6 reports); COMP5 (2 reports); COMP7 (6 reports); COMP13 (2 reports).	Mining (8 reports); Banking (2 reports); Agriculture (6 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (10 reports)	Listed Companies (14 reports) Non-Listed Companies (2 reports)	SOEs (8 reports) Non-SOEs (8 reports)

Source: Appendix 2C

Note: * including creditors; capital market analysts; employees' families; labour unions; the private sector; security forces; environment; netizens (social media users) and business partners other than suppliers, such as contractors, resellers (sales outlets) and installers. Each of these stakeholder groups is mentioned in less than 10 reports.

The detailed list of stakeholder groups found in the sustainability reports being studied is presented in Panel B in Table 7.2. The table shows that companies reached out to their employees (112 reports), the government (109 reports), customers (108 reports), local communities (102 reports), and shareholders (94 reports), among other stakeholder groups in their sustainability reports. As Nason et al. (2018: 275) suggest, 'the [stakeholder] identification creates a more intimate relationship between a firm and its FI [firm-identified] stakeholders, which in turn provides an incentive for the former to act on the expectations of the latter'. The disclosing companies identify their stakeholder groups and disclose them in their sustainability reports regardless of their business sectors, whether they are award-winning or non-award-winning companies in the ISRA, companies listed or not listed on the IDX, and SOEs or private companies. They go beyond the requirements mandated by the Indonesia's Corporation Law No. 40 of 2007. The law only requires companies carrying out business activities in fields related to natural resources to report their CSR activities in the annual report but there is no requirement to disclose the identity of their stakeholders.

GRI recommends that companies 'report the basis for the identification and selection of stakeholders with whom they want to engage' (see GRI G4-25 in GRI, 2013: 43; see also GRI Standard Disclosure 102-42 in GRI, 2016: 31). In total, 67 reports (55.8 per cent) disclose the basis (criteria), as can be seen in Table 7.1. Table 7.3 shows the variety of the criteria for the identification and selection of stakeholders. There are 15 criteria found in the sustainability reports being studied, but Table 7.3 only presents the top five with examples of the disclosures. The other 10 criteria are tension, diverse perspectives, legal aspects, power, legitimacy, collaboration, urgency, real impact, vulnerability and importance. Each of these criteria is found in less than 10 reports. This finding is slightly less than the one in Kaur and Lodhia's (2014) study where 60.8 per cent of the Australian local councils they were studying disclosed the criteria for the identification and selection of their stakeholders.

Table 7.3
Criteria for Stakeholder Identification and Selection

No	Criteria Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Influence	63	COMP1 (7 reports); COMP3 (6 reports); COMP4 (6 reports); COMP7 (2 reports); COMP8 (6 reports); COMP9 (7 reports); COMP10 (2 reports); COMP11 (10 reports); COMP12 (6 reports); COMP13 (1 report); COMP14 (10 reports).	Mining (40 reports); Pharmaceutical (6 reports); Banking (6 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (2 reports).	Award-Winning Companies (19 reports) Non-Award-Winning Companies (44 reports)	Listed Companies (56 reports) Non-Listed Companies (7 reports)	SOEs (15 reports) Non-SOEs (48 reports)
	‘[Stakeholder] mapping was conducted to identify the stakeholders … and how their respective *influence* on [COMP1] … [The] analysis was performed with a focus on … [the] *influence* of each stakeholder on [COMP1]’ (COMP1, 2011: 42-44).						
2	Dependency	29	COMP1 (4 reports); COMP4 (5 reports); COMP7 (2 reports); COMP8 (4 reports); COMP11 (5 reports); COMP12 (4 reports); COMP13 (1 report); COMP14 (4 reports).	Mining (18 reports); Pharmaceutical (5 reports); Banking (4 reports); Agriculture (2 reports).	Award-Winning Companies (8 reports) Non-Award-Winning Companies (21 reports)	Listed Companies (23 reports) Non-Listed Companies (6 reports)	SOEs (6 reports) Non-SOEs (23 reports)
	COMP4 (2017: 73) presents a table stating that *dependency* is the basis used for identifying the company’s vendors.						
3	Responsibility	24	COMP1 (4 reports); COMP4 (5 reports); COMP7 (2 reports); COMP8 (4 reports); COMP12 (4 reports); COMP13 (1 report); COMP14 (4 reports).	Mining (13 reports); Pharmaceutical (5 reports); Banking (4 reports); Agriculture (2 reports).	Award-Winning Companies (8 reports) Non-Award-Winning Companies (16 reports)	Listed Companies (18 reports) Non-Listed Companies (6 reports)	SOEs (6 reports) Non-SOEs (18 reports)
	‘We determine nine groups of stakeholders.… This stakeholder group arrangement considers … *responsibility* aspect …’ (COMP7, 2015: 58-59).						

No	Criteria Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
4	Proximity	24	COMP1 (6 reports); COMP3 (2 reports); COMP4 (5 reports); COMP8(4 reports); COMP12 (4 reports); COMP13 (1 report); COMP14 (1 report); COMP15 (1 report).	Mining (15 reports); Pharmaceutical (5 reports); Banking (4 reports); Agriculture (6 reports); Telecommunications (4 reports).	Award-Winning Companies (7 reports) Non-Award-Winning Companies (17 reports)	Listed Companies (17 reports) Non-Listed Companies (7 reports)	SOEs (5 reports) Non-SOEs (19 reports)
	COMP8 (2018: 49) presents a table stating that *proximity* is the basis used for identifying the company's society and local communities.						
5	Representation	21	COMP4 (5 reports); COMP8 (4 reports); COMP11 (5 reports); COMP12 (1 report); COMP13 (1 report); COMP14 (5 reports).	Mining (15 reports); Pharmaceutical (5 report); Banking (1 report).	Award-Winning Companies (5 reports) Non-Award-Winning Companies (16 reports)	Listed Companies (15 reports) Non-Listed Companies (6 reports)	SOEs (4 reports) Non-SOEs (17 reports)
	COMP11 (2015: 68) presents a table stating that *representation* is the basis used for identifying the company's shareholders and investors. '… the interests of minority shareholders are represented by the independent commissioner' (p. 63).						

Source: Appendix 2D

The vast majority of companies use multiple criteria for stakeholder identification and selection. COMP1 (2009: 27-30), for example, acknowledges shareholders, employees, business partners, the government, the community, consumers and the mass media as key stakeholders. They were determined by conducting stakeholder mapping using the criteria of power, legitimacy, urgency and proximity[10]. Kaur and Lodhia (2018) also found that Australian local authorities engaged with their identified stakeholder groups based on those four criteria.

If the criteria for the identification and selection of the stakeholders were not specified, the users of the sustainability reports might perceive that the disclosed list of stakeholders was determined subjectively, based on the reporting company's like or dislike of the stakeholder groups. The selection of stakeholder groups in that way potentially prioritises the interests of stakeholders that improve the company's corporate image and reputation, but disregards other stakeholders (e.g., less powerful stakeholders) even though their views may actually be paramount for corporate sustainability (Herremans et al., 2016; Unerman and Zappettini, 2014).

This section outlined the disclosure of the identification of the stakeholders. The section shows that the companies being studied acknowledge the divergent stakeholder groups by using various criteria for their identification and selection of the stakeholders. However, 25 reports show that stakeholder mapping to identify the stakeholders' groups was conducted once and the results were reused for several consecutive reporting periods in the future. The next section outlines the disclosure of stakeholder engagement approaches.

[10]According to Mitchell et al. (1997), stakeholder *power* indicates the ability to use resources to make an event happen or to secure a desired outcome. *Legitimacy* is a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions. *Urgency* reflects a call for immediate attention on claims, which can be based on moral or legal grounds. The more attributes the stakeholders have, the more salient those stakeholders are. Meanwhile, proximity means 'the state, quality, or fact of being *near* or next in space, time, or order.… The greater the proximity, the greater the likelihood of the development of stakeholder relationships' (Driscoll and Starik, 2004: 63, emphasis added).

7.4. STAKEHOLDER ENGAGEMENT APPROACHES

GRI recommends that organisations report their 'approach to stakeholder engagement, including the frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process' (see GRI G4-26 in GRI, 2013: 44; see also GRI Standard Disclosure 102-43 in GRI, 2016: 31). Table 7.1 shows that 108 reports provide information about stakeholder engagement approaches and 89 reports include the disclosure of the frequency of engagement with the stakeholders. The disclosure of stakeholder engagement approaches that are specifically part of the report preparation process is evident in 52 reports. The disclosing companies provide information about the approaches and the frequency of their stakeholder engagement regardless their business sectors, whether they are award-winning or non-award-winning companies in the ISRA, companies listed or not listed on the IDX and SOEs or private companies.

The vast majority of sustainability reports disclose the stakeholder engagement approaches and their frequency for every stakeholder group identified in one of their tables. COMP3 (2018: 10-11), for instance, did that. For customers, the engagement approaches were conducted via the website, site visits, call centres, satisfaction measurements and customer gatherings and these happened at any time. Engagement with the shareholders was undertaken annually through annual general meetings and extraordinary general meetings. Meanwhile, the employees were engaged by meeting with their union 12 times a year. COMP3 engaged with the government and policy makers 12 times a year through hearings and regular reports. Work contracts were the approach used for engagement with business partners and suppliers, at any required time. For the mass media, the approaches for engagement with them were press releases, media visits, press gatherings and press conferences. Those approaches were used

quarterly and additionally, as needed. The local community was engaged on a quarterly basis by involving them in the planning and implementation of CSR activities.

The findings of multiple stakeholder engagement approaches in this thesis are in line with a study by Kaur and Lodhia (2017) in that Australian local councils engaged with their stakeholders in various ways, from non-participatory up to empowerment levels. They highlight that 'exerting a low level of engagement does not necessarily imply that the engagement is ineffective' (p. 143). That is because 'the extent of stakeholder engagement varied depending on the nature and purpose of the engagement' (p. 129). This implies that one stakeholder engagement approach does not always work with all the stakeholders. For example, partnership programmes to empower stakeholder groups who are vulnerable to the company's operational impacts may suit the local communities (Civera et al., 2019), but perhaps this would not work with vocal NGOs positioning themselves as a balancing force in the company-stakeholder power relationships.

The stakeholder engagement approaches disclosed by COMP3 (2018), along with the other reports being studied, were classified based on Arnstein's (1969) typology of participation levels. Table 7.4 shows the stakeholder engagement approaches by stakeholder groups. More reports being studied disclose stakeholder engagement approaches that fall into 'informing' and 'consultation' typologies. They have degrees of tokenism, i.e., 'an expression that is not for the other but for how the other sees the corporation' (Roberts, 2003: 256).

The table shows that the companies' attempts to disseminate sustainability information through various media for reporting (e.g., brochures, pamphlets, among others) were classified into the 'informing' typology (Arnstein, 1969). Friedman and Miles (2006) posit that the report preparers retain greater control of the information in one-way communications used to *inform* stakeholders. Most of the stakeholders were engaged through two-way communications (such as questionnaire surveys, focus group discussions, among

others), which were classified into the 'consultation' typology (Arnstein, 1969). Consulting with stakeholders has a greater participation level than disseminating information to them (Reilly et al., 2016) because the report preparers offer an opportunity for the stakeholders to convey their sustainability views. It has a degree of tokenism because the engaged stakeholders are allowed 'to hear and to have a voice' but there is no guarantee that their views will be followed through on (Arnstein, 1969: 217).

Table 7.4
Stakeholder Engagement Approaches by Stakeholder Groups

Stakeholder Groups Found in the Dataset	Stakeholder Engagement Approaches Found in the Dataset (Number of Reports)		
	Informing[a)]	Consultation[b)]	Partnership[c)]
Employees	21	108	0
Government	41	107	4
Customers	5	104	0
Local communities	26	99	52
Shareholders	61	91	0
Suppliers	0	79	0
Others*	2	60	0
Investors	29	55	0
Media	57	49	0
NGOs	7	31	10
Society	9	31	0
Industry associations	4	23	0
Academics	4	16	0

Source: Appendix 2E
Notes: the stakeholder groups are ordered by the number of reports indicating consultation-based stakeholder engagement approaches.
a) Brochures; pamphlets; leaflets; booklets; newsletters; e-newsletters; direct mails; local newspapers; magazines; press release; websites; reports
b) Questionnaire surveys; email correspondences; call centres; online forums; peer reviews; training; meetings; gatherings; conferences; visits, hearings; focus group discussions; discussion forums; workshops
c) Partnership or stakeholder empowerment in various corporate social and environmental responsibility programmes
* see the note in Table 7.2.

The 'informing' approach is the dissemination of information *to* stakeholders than the communication *with* stakeholders (Lazzi et al., 2020). It is rather symbolic in the sense that

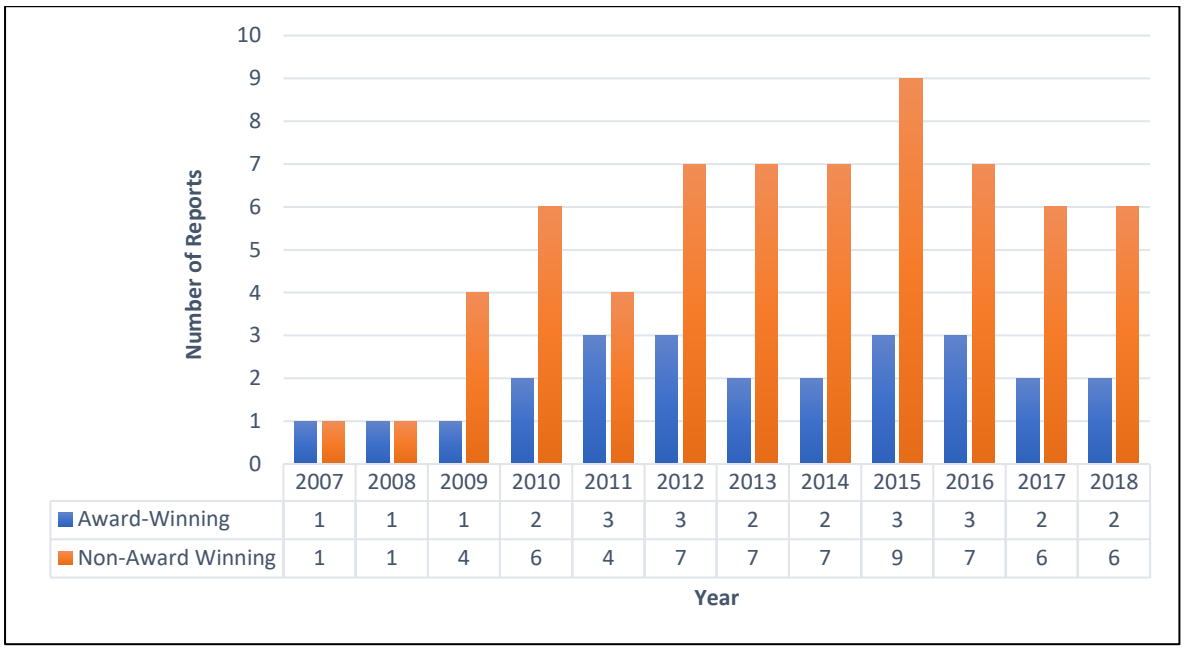
companies only strive to meet the GRI's indicator on stakeholder engagement approaches (i.e., GRI G4-26 or GRI Standard Disclosure 102-43) but the essence of the approach deviates from the GRI's stakeholder engagement conception where dialogue/communication with stakeholders needs to be fostered. Unlike the 'informing' approach, which apparently lacks the dialogic aspect of stakeholder engagement, the 'consultation' approach consists of dialogic/communication with stakeholders. However, as there is no guarantee that stakeholders' views will be followed through on, the 'consultation' approach may also end up as a ceremonial/symbolic engagement – where the companies disregard the stakeholders' views that potentially harm the companies' reputation. The neo-institutional theory illuminates the ceremonial/symbolic response to the GRI's normative influences – seeking legitimacy by meeting the GRI's formal structure through the disclosure but the practice deviates from its conception because it is merely meeting the companies' internal objectives (Bromley and Powell, 2012; Jamali, 2010; Stål and Corvellec, 2021).

A small number of the reports in this research also show that a partnership is another approach for engagement with the stakeholders. Participatory engagement through a partnership has a degree of empowerment (Arnstein, 1969). 'Empowerment is a process through which individuals, groups, and organisations gain influence over events and important matters and outcomes' (Civera et al., 2019: 157). COMP4 (2018: 85), for instance, discloses that it engaged with local communities through partnerships to empower small and medium-sized enterprises (SMEs) in the area where the company operates. The partnership programmes disclosed in the report are in the form of training to equip the SMEs with administrative, accounting and marketing knowledge which enables them to develop further. It is important to note that such partnerships are mandatory for SOEs in Indonesia under the flagship of PKBL (*Program Kemitraan dan Bina Lingkungan* or the Partnership and Community Development Programme). All sustainability reports issued by the SOEs show that the companies'

partnerships with local communities were undertaken as their response to the regulation on PKBL stipulated by the Ministry for SOEs. From this standpoint, the trigger to undertake partnerships seems to be merely to comply with a mandatory regulation.

Graph 7.1 presents the use of the 'informing' approach from 2007 to 2018 by the ISRA award-winning and non-award-winning companies. In total, there are 90 reports disclosing the use of 'informing' approach to engage with various stakeholder groups (see Table 7.4 about the stakeholder groups engaged using this approach). The graph shows that the number of reports fluctuated from 2007 to 2018 – for both the award-winning and non-award-winning companies. The number of reports by the two groups were the same in 2007 and 2008 but the number of reports by the non-award-winning companies outnumbered those by the award-winning companies afterwards. Despite the lack of a dialogic aspect in the 'informing' approach, it seems to be considered a useful approach, especially in the periods between 2012 and 2018.

Graph 7.1.
The Use of the 'Informing' Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

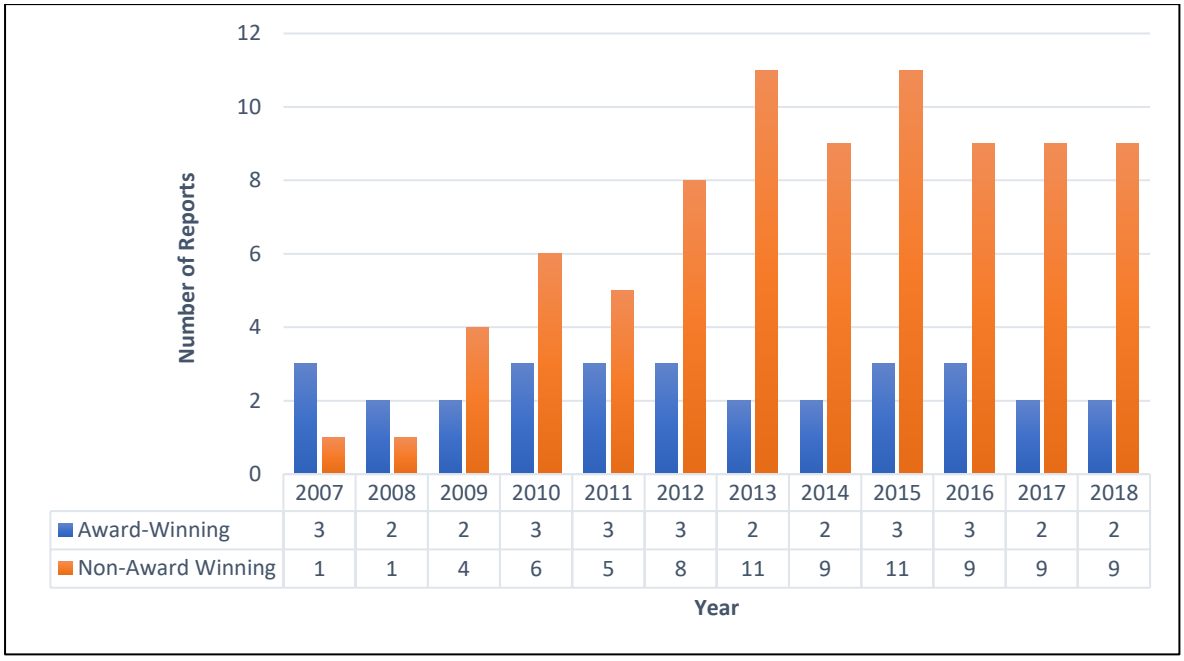


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	1	1	1	2	3	3	2	2	3	3	2	2
Non-Award Winning	1	1	4	6	4	7	7	7	9	7	6	6

Source: Appendix 2F

Graph 7.2 demonstrates the use of the 'consultation' approach from 2007 and 2018 by the ISRA award-winning and non-award-winning companies. There are 113 reports, in total, disclosing the use of the 'consultation' approach to engage with various stakeholder groups (see Table 7.4). The graph reveals that the number of reports disclosing the use of the 'consultation' approach by the award-winning companies outnumbered those by the non-award-winning companies in the first two years of observation. The reverse happened between 2009 and 2018. The number of reports disclosing the use of the 'consultation' approach by the non-award-winning companies tends to increase with some fluctuation.

Graph 7.2
The Use of the 'Consultation' Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



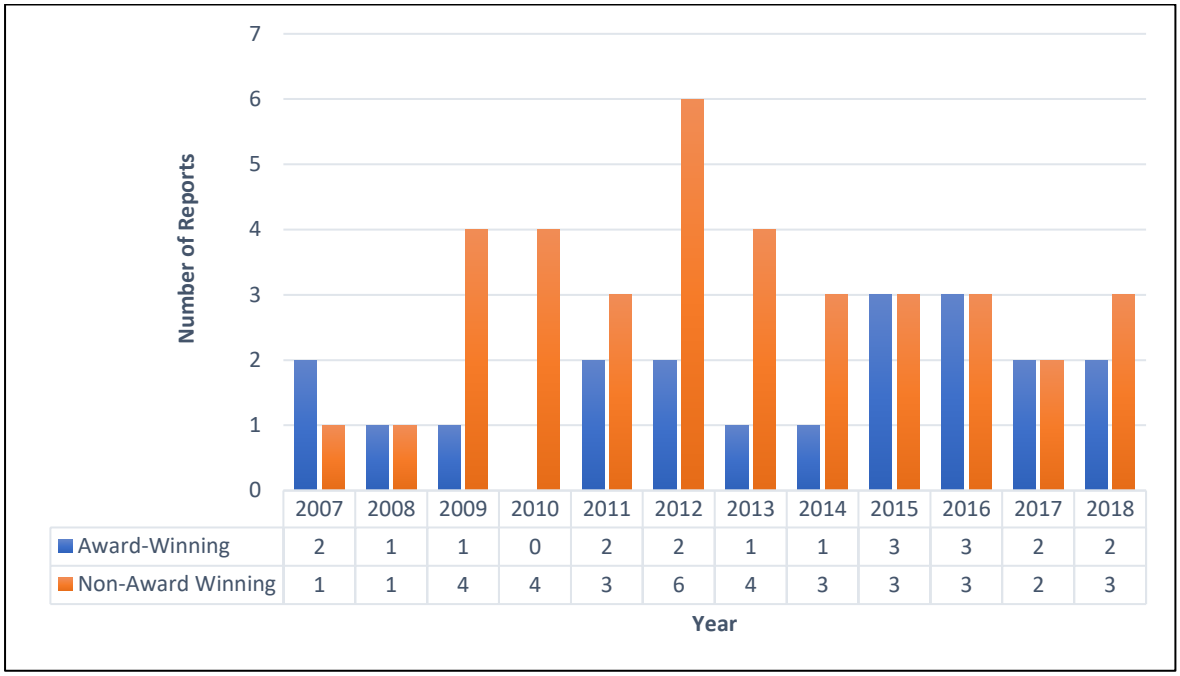
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	3	2	2	3	3	3	2	2	3	3	2	2
Non-Award Winning	1	1	4	6	5	8	11	9	11	9	9	9

Source: Appendix 2G

Graph 7.3 shows the use of the 'partnership' approach from 2007 and 2018 by the ISRA award-winning and non-award-winning companies. There are 57 reports, in total, disclosing the use of the 'partnership' approach to engage with the government, local

communities and NGOs. Overall, the graph shows fluctuations. There were even no reports by any of the award-winning companies in 2010 that disclosed the use of the 'partnership' approach. Having checked the reports in 2010, the approaches used by the award-winning companies to engage with the government, local communities and NGOs fall into the 'consultation' category. They disclosed the partnership approach with these three stakeholder groups in the periods beyond 2010. The number of reports by the non-award-winning companies started to show less fluctuation from 2014 to 2018.

Graph 7.3
The Use of the 'Partnership' Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	2	1	1	0	2	2	1	1	3	3	2	2
Non-Award Winning	1	1	4	4	3	6	4	3	3	3	2	3

Source: Appendix 2H

From Graphs 7.1 to 7.3, the 'consultation' approach was the most often used to engage with stakeholders both by the ISRA award-winning and non-award-winning companies. The graphs also show that the 'consultation' approach is the one that shows an

increasing trend with less fluctuation between 2007 and 2018. Unerman and Bennett (2004) suggest that stakeholder engagement should gradually move towards a dialogic engagement.

Table 7.5 shows four stakeholder engagement approaches which are specifically part of the report preparation process, namely internal discussions/workshops/focus group discussions (FGDs), questionnaire survey, feedback forms and interviews. There are 47 reports being studied that disclose the use of FGDs (or workshops) to reach consensus with internal stakeholders for preparing sustainability reports. COMP3 (2018: 7-8), for example, discloses that its report was compiled based on the results of an FGD with the internal stakeholders. The discussion forum was attended by representatives from all the divisions/work units and facilitated by the company's hired consultant. The practice of dialogic engagement through internal FGDs or workshops does not reflect mutual learning, understanding and commitment between companies and stakeholders, as the companies disregard the participation of the external stakeholders and their sustainability views (Bellucci and Manetti, 2019; Manetti, 2011). Sustainability reports prepared in this way are unlikely to reflect the expectations of a broad range of stakeholders, as they prioritise the interests of the preparers of the reports (Baker, 2010).

Referring to Arnstein's (1969) typology of participation levels, the FGD in this thesis is about 'consultation' with internal stakeholders to define the report content. The finding is different from that of a study by Kaur and Lodhia (2014) who classified the FGD in their study as 'placation'. In their study, Australian local councils invited external stakeholders into dialogic forums, the so-called FGDs. *Placation* also has a degree of tokenism because the 'ground rules' *allow the stakeholders to advise* but the report preparers retain the right to take heed of, or disregard, their advice (Arnstein, 1969: 217). Inviting external stakeholders into a dialogic forum like a FGD would placate them and accordingly 'lessen the likelihood of their causing problems for the organisations' (Lane and Bartlett, 2016: 4080).

Table 7.5
Stakeholder Engagement Approaches Specifically in Report Preparation Process

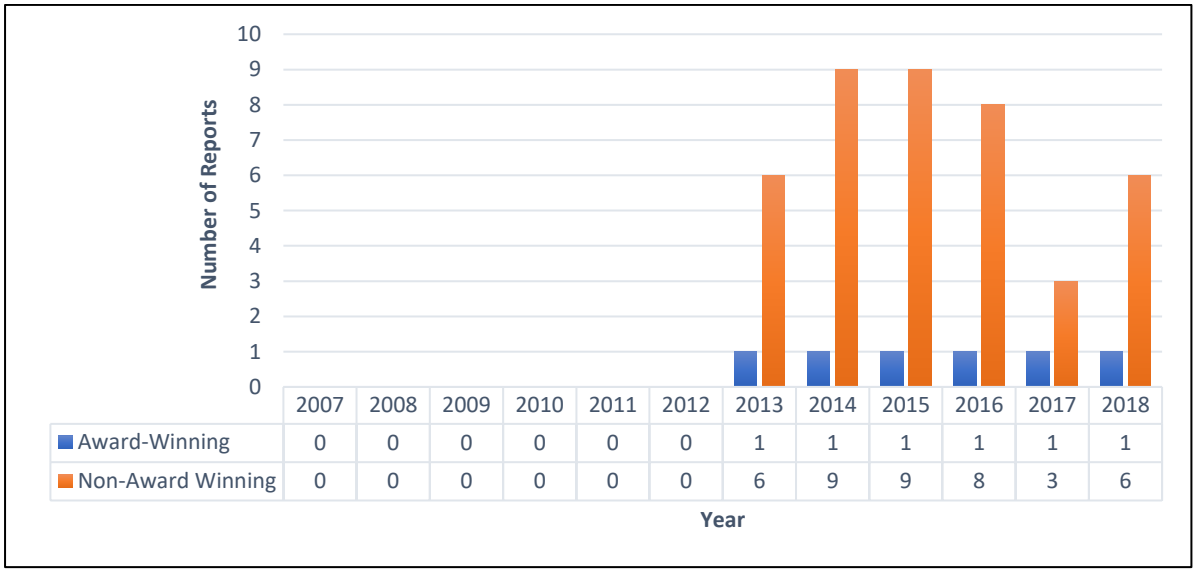
No	Stakeholder Engagement Approaches Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Internal discussions/ workshops/FGDs	47	COMP1 (6 reports); COMP2 (1 report); COMP3 (6 reports); COMP4 (6 reports); COMP5 (4 reports); COMP7 (2 reports); COMP8 (5 reports); COMP9 (5 reports); COMP11 (4 reports); COMP12 (5 reports); COMP13 (3 reports).	Mining (24 reports); Automotive (1 report); Pharmaceutical (6 reports); Banking (9 reports); Agriculture (2 reports); Cement (5 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (41 reports)	Listed Companies (38 reports) Non-Listed Companies (9 reports)	SOEs (17 reports) Non-SOEs (30 reports)
	'To select relevant topics for this report, [COMP1] conducted an *FGD* on 6-7 December 2016 *attended by representatives from all departments*, functions, and business units, facilitated by independent consultants to discuss the sustainability topics, scope and report boundary and prioritising them through *materiality test*' (COMP1, 2016: 22).						
2	Questionnaire surveys	25	COMP1 (1 report); COMP2 (1 report); COMP3 (1 report); COMP4 (4 reports); COMP8 (6 reports); COMP9 (5 reports); COMP11 (4 reports); COMP12 (3 reports).	Mining (12 reports); Automotive (1 report); Pharmaceutical (4 reports); Banking (3 reports); Cement (5 reports).	Award-Winning Company (1 report) Non-Award-Winning Companies (24 reports)	Listed Companies (21 reports) Non-Listed Companies (4 reports)	SOEs (12 reports) Non-SOEs (13 reports)
	'The stipulation of *materiality* in this report was prepared based on a *survey* …' (COM3, 2018: 8).						
3	Feedback forms	17	COMP1 (1 report); COMP4 (5 reports); COMP 5 (3 reports); COMP8 (3 reports); COMP12 (4 reports); COMP15 (1 report).	Mining (5 reports); Pharmaceutical (5 reports); Banking (7 reports).	Award-Winning Company (1 report) Non-Award-Winning Companies (16 reports)	Listed Companies (11 reports) Non-Listed Companies (6 reports)	SOEs (7 reports) Non-SOEs (10 reports)
	'In *defining the content of this report*, we have incorporated the expectations of stakeholders, including attention to input/*feedback* received from last year's report' (COMP4, 2013: 4).						

No	Stakeholder Engagement Approaches Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
4	Interviews	8	COMP1 (2 reports); COMP7 (1 report); COMP8 (2 reports); COMP9 (2 reports); COMP15 (1 report).	Mining (5 reports); Agriculture (1 report); Cement (2 reports).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (6 reports)	Listed Companies (7 reports) Non-Listed Company (1 report)	SOEs (6 reports) Non-SOEs (2 reports)
	‘[COMP15] conducted *interviews* with key stakeholders regarding the CSR programmes.… From the interview results, we concluded there were seven *main issues* in this report’ (COMP15, 2012: 18).						

Source: Appendix 2I

A closer look at the use of the internal FGDs from 2007 to 2018 by the ISRA award-winning and non-award-winning companies, Graph 7.4 shows that the approach started to be used in 2013 onwards. Only one report by an award-winning company found to have disclosed the internal FGD as a stakeholder engagement approach in the report preparation process. From the neo-institutional theory lens, the internal FGDs reflect the companies' non-conformity response to the GRI's stakeholder inclusiveness principle – where both the companies' internal and external stakeholders are supposedly engaged in such dialogic approach (Cooper et al., 2014).

Graph 7.4
The Use of the Internal FGDs in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	0	0	0	0	0	0	1	1	1	1	1	1
Non-Award Winning	0	0	0	0	0	0	6	9	9	8	3	6

Source: Appendix 2J

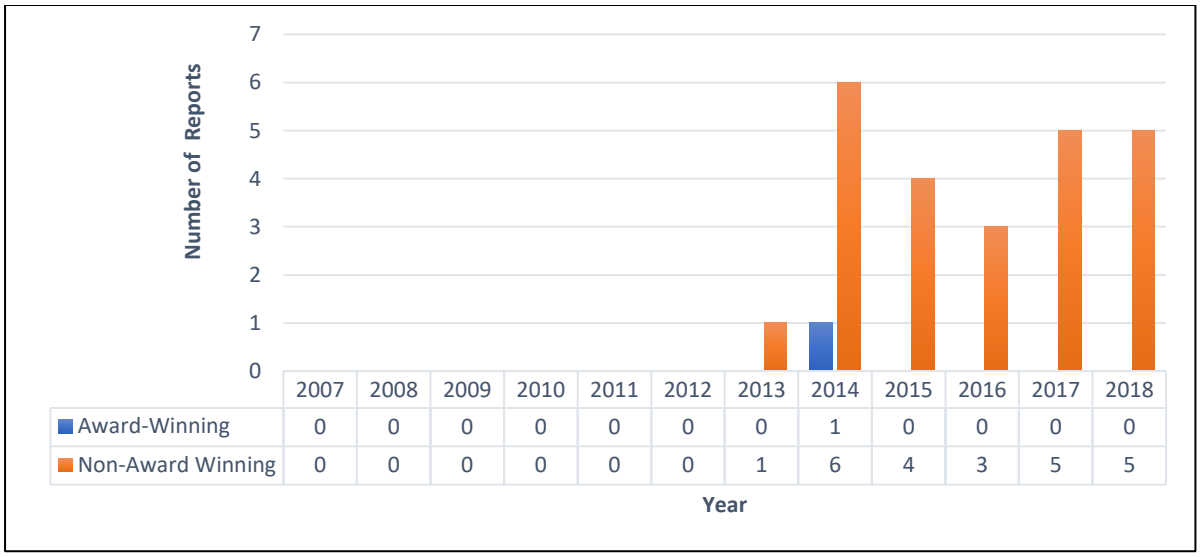
Questionnaire surveys were also utilised in the report preparation process, as evident in 25 reports. For example, COMP1 (2014: 31) states,

> Stakeholders were involved in determining the materiality level through a *survey*. [COMP1] sent a *questionnaire* to various stakeholders, including the labour union, customers, the community, suppliers and NGOs. There were 21 issues or sustainability *topics considered relevant to [COMP1] that were discussed in the [internal] workshop* and submitted to the stakeholders for them to assess the materiality levels.

Even though this approach is more inclusive than the internal FGD outlined earlier, the nature of the approach is the same, which is consultation. In the questionnaire survey, companies typically identify sustainability topics to be included in the sustainability reports and request their stakeholders to determine which of the topics matter to them. To add more value to the consultation process (Arnstein, 1969), the survey needs to be undertaken by searching for 'mutually agreed solutions to identified issues of concern' (Jackson and Bundgård, 2002: 259) and enabling the report preparers to be 'substantially influenced' by the survey results (Reilly et al., 2016: 33).

Graph 7.5 shows the use of questionnaire surveys from 2007 to 2018 by the ISRA award-winning and non-award-winning companies. The graphs reveals that a report by an award-winning company only disclosed the use of the questionnaire survey in the report preparation process in 2014. The non-award-winning companies started to disclose it in 2013 and continued disclosing it with fluctuations until 2018.

Graph 7.5
The Use of the Questionnaire Surveys in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



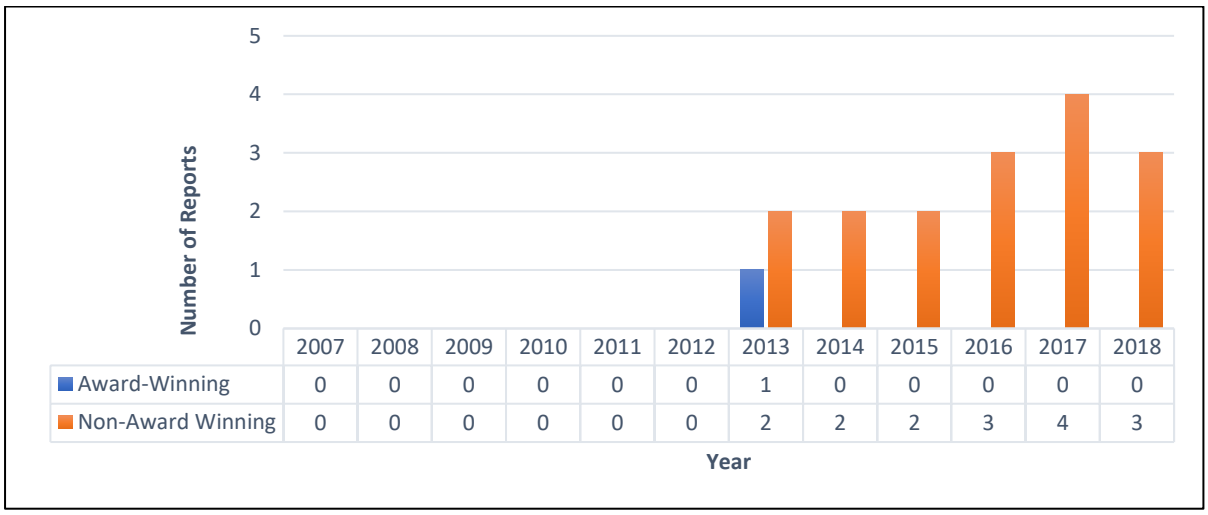
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	0	0	0	0	0	0	0	1	0	0	0	0
Non-Award Winning	0	0	0	0	0	0	1	6	4	3	5	5

Source: Appendix 2K

It is evident in 17 reports that companies utilise feedback forms in preparing their sustainability reports. COMP15 (2017: 100), for instance, states that stakeholders' feedback is used to evaluate the contents of its published sustainability report for future improvements. A study by Kaur and Lodhia (2019) suggests that companies need to be more actively seeking stakeholders' feedback, for example by telephone interviews, rather than just relying on the feedback forms attached in their sustainability reports.

Graph 7.6 shows the use of the feedback forms from 2007 to 2018 by the ISRA award-winning and non-award-winning companies. The graph reveals that only one report by an award-winning company disclosed the use of the feedback forms in the report preparation process in 2013. The non-award-winning companies started to disclose it in 2013 and continued disclosing it with some fluctuations until 2018.

Graph 7.6
The Use of the Feedback Forms in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	0	0	0	0	0	0	1	0	0	0	0	0
Non-Award Winning	0	0	0	0	0	0	2	2	2	3	4	3

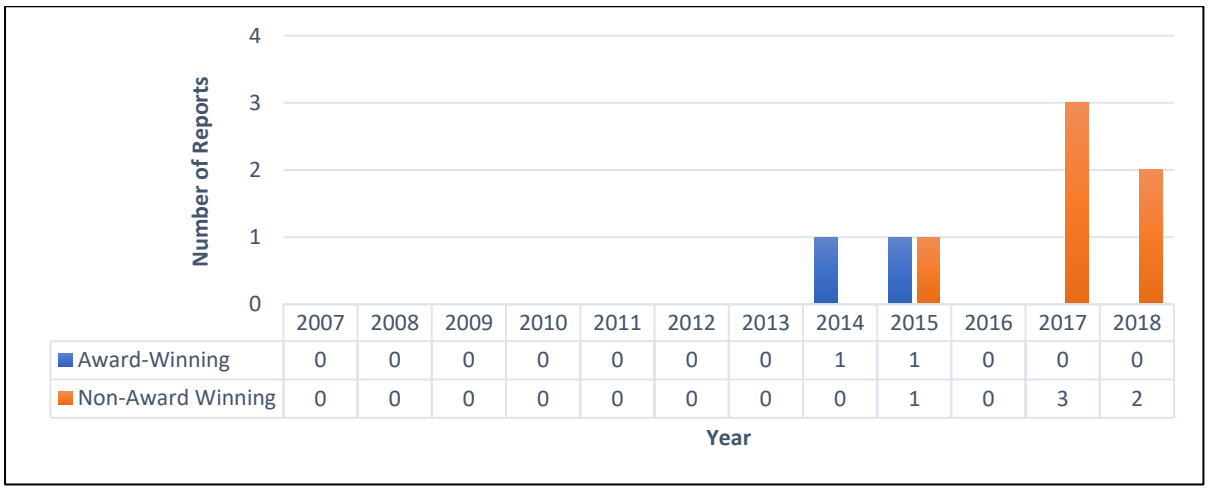
Source: Appendix 2L

Table 7.5 also shows that the report preparers used interviews to engage with stakeholders specifically for the report preparation process. The approach was found in eight

reports issued by five different companies. COMP4 (2014: 102-107), for instance, discloses that the company interviewed key stakeholders who received benefits from the company's CSR programmes. The results of the interviews are presented as testimonies, such as a testimony from an animal rescue centre for being engaged by the company in the conservation and rehabilitation of endangered animals (p. 102), a testimony from a local community member for being assisted in raising lambs (p. 105) and a testimony from a local association for being engaged in a geopark development (p. 107). The interviewed stakeholders, in their testimonies, express their gratitude for the company's kindness through its CSR programmes. 'Testimonies are often carefully crafted and polished statements that may reflect values that the authors intend to convey as well as values held deeply by the authors themselves' (Cheng, 2012: 60).

Graph 7.7 shows the use of the interviews in the report preparation process from 2007 to 2018 by the ISRA award-winning and non-award-winning companies. The graph reveals that only one report by an award-winning company disclosed the use of the feedback forms in the report preparation process in 2014 and 2015. The non-award-winning companies disclosed it in 2015, 2017 and 2018.

Graph 7.7
The Use of the Interviews in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	0	0	0	0	0	0	0	1	1	0	0	0
Non-Award Winning	0	0	0	0	0	0	0	0	1	0	3	2

Source: Appendix 2M

Graphs 7.4 to 7.7 reveal that there was no report disclosing the use of specific stakeholder engagement approaches in the report preparation process until 2013. It is likely that GRI G4 Guidelines (GRI, 2013) exerts stronger normative influence than the earlier version (GRI G3.1 Guidelines). 'The stronger focus on processes of stakeholder engagement... making [the GRI] G4.0 an advance over G3.1 [Guidelines]' (Wagner and Seele, 2017: 340). While the GRI G3.1 Guidelines has 'no clear guidance on how to interact with stakeholders', the GRI G4 Guidelines has 'stricter requirements regarding stakeholder engagement disclosure' (p. 343).

This section presented the results of the content analysis regarding stakeholder engagement approaches. The section shows that 108 reports disclose the approaches used to engage the stakeholders and 89 reports disclose the frequency of these engagements. However, only 52 reports include the disclosure of stakeholder engagement specifically as a part of the report preparation process. The vast majority of the stakeholder engagement approaches fell into Arnstein's (1969) rungs as having a degree of tokenism, whereas there is little evidence of the formation of partnerships as a form of stakeholder empowerment. Partnerships to empower local communities, in the context of SOEs in Indonesia, are seemingly related to compliance with a regulation stipulated by the Ministry for SOEs concerning PKBL. The next section outlines the disclosure of stakeholder engagement topics.

7.5. STAKEHOLDER ENGAGEMENT TOPICS

GRI suggests organisations 'report key topics and concerns that have been raised through stakeholder engagements, and how each of the organisations has responded to those key topics and concerns, including through their reporting'. The framework also suggests organisations 'report the stakeholder groups that raised each of the key topics and concerns' (see GRI G4-27 in GRI, 2013: 44; see also GRI Standard Disclosure 102-44 in GRI, 2016: 32).

Table 7.1 reveals that 110 reports disclose key topics arising from stakeholder engagement and 109 reports connect the stakeholder engagement topics with the identified stakeholder groups. The companies disclose the key topics arising from their stakeholder engagement and connect the topics with the identified stakeholder groups regardless their business sectors, whether they are ISRA award-winning or non-award-winning companies, companies listed or not listed on the IDX and SOEs or private companies.

Table 7.6 shows that topics arising from stakeholder engagement vary, covering economic, social and environmental issues. The content analysis reveals that the stakeholder engagement topics are more often in the economic or business-as-usual context, even for a number of non-financial stakeholders. The vast majority of sustainability reports disclose product or service satisfaction issues as the topic arising from the companies' engagements with customers. There is scant evidence that companies, for instance, engage with their customers for education on reduce, reuse and recycle initiatives, or other social and environmental topics. Disclosures about stakeholder engagement topics are also evident in a study by Miles and Ringham (2020). Only a few companies (37 FTSE100 companies) disclosed broader sustainability topics arising from stakeholder engagement in their study. The majority of the topics were related to businesses and operations and attempts to manage corporate reputations. According to the perspective of the neo-institutional theory, the findings reflect the companies' non-conformity response to the GRI's sustainability context principle – where the companies are expected to engage with their stakeholders in a broad range of sustainability topics beyond the business-as-usual (Behnam and MacLean, 2011).

Table 7.6
Stakeholder Engagement Topics by Stakeholder Groups

Stakeholder Groups Found in the Dataset	Stakeholder Engagement Topics Found in the Dataset (Number of Reports)		
	Economic/ Business-As-Usual Topics[a)]	Social Topics[b)]	Environmental Topics[c)]
Employees	109	57	2
Government	107	45	22
Customers	105	0	0
Local communities	99	85	73
Shareholders	91	15	11
Suppliers	79	5	0
Others*	60	8	4
Media	59	14	14
Investors	54	5	5
NGOs	31	23	22
Society	31	27	27
Industry associations	22	0	0
Academics	15	4	4

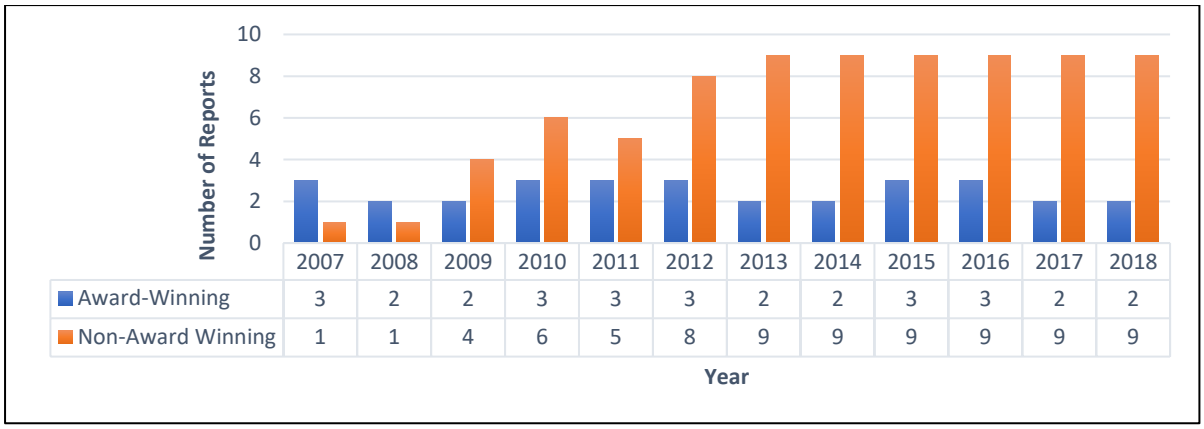
Source: Appendix 2N
Notes: the stakeholder groups are ordered by the number of reports indicating economic/business-as-usual stakeholder engagement topics.
a) Financial accountability; welfare (remuneration and benefits); mining technology and innovation; disbursement of funds for PKBL; transparency in the procurement of goods and services; commercial relations; contract fulfilment; product development; service quality; dividend payments; business development; anti-bribery and corruption; anti-money laundering; banking transaction security; customer satisfaction; tax payments
b) Employment opportunities; career development; health and safety at work; partnerships with SMEs; community development
c) Climate change; use of water; energy savings; controlling emissions and pollutants; waste management; biodiversity; land restoration; reduce, reuse and recycle programmes
* see the note in Table 7.2.

Among the companies reporting stakeholder engagement topics, COMP9 (2018: 104-106), for instance, discloses the stakeholder engagement topics by stakeholder groups. The finding indicates that the company understands the concerns of the identified stakeholder groups (Bellucci and Manetti, 2019). The topics arising from COMP9's engagement with local communities are about partnerships, waste management as an alternative fuel source, prosperity levels, controlling emissions and pollutants, maintaining biodiversity and improving energy efficiency. The company also discloses its responses to those topics, namely by

implementing CSR programmes in partner villages and supporting village-owned enterprises in utilising resources. From this, the topics arising from the company's engagement with local communities cover all economic (business-as-usual), social and environmental topics. Besides, COMP9 (2018: 104-106) discloses that the topics of engagement with employees are about economic or business-as-usual (e.g., fulfilment of the employees' welfare) and social topics (e.g., the application of health and safety at work) but nothing about environmental topics. The company has responded to those employees' concerns by having periodic meetings with them and involving the employees in preparing the future reports.

Graph 7.8 demonstrates the economic/business-as-usual topics disclosed by the ISRA award-winning and non-award-winning companies between 2007 and 2018. There are 109 reports, in total, disclosing the economic/business-as-usual topics arising from the engagement with various stakeholder groups (Table 7.6 shows the stakeholder groups engaged with these topics). The graph shows that the number of reports issued by the award-winning companies was greater than that by their counterparts in the first two periods of observation. The number of reports by non-award-winning companies show an increasing trend with some fluctuations from 2007 to 2013. They started to get stable with nine reports from 2013 to 2018.

Graph 7.8
The Economic/Business-As-Usual Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018



Source: Appendix 2O

Graph 7.9 shows the social topics disclosed by the award-winning and non-award-winning companies from 2007 to 2018. There are 99 reports, in total, disclosing the social topics arising from the engagement with various stakeholder groups (see Table 7.6 about the stakeholder groups engaged with this topics). The graph reveals that the number of reports issued by the award-winning companies were greater than that by the non-award-winning companies in 2007 and 2008. The number of reports by non-award-winning companies show an increasing trend with some fluctuations from 2007 to 2013. In the last five years of observation, they were between seven and eight reports.

Graph 7.9
The Social Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	2	2	2	3	3	3	2	2	3	3	2	2
Non-Award Winning	1	1	4	5	4	8	9	8	8	7	8	7

Source: Appendix 2P

Graph 7.10 shows the environmental topics disclosed by the ISRA award-winning and non-award-winning companies from 2007 to 2018. There are 82 reports, in total, disclosing the environmental topics arising from the engagement with various stakeholder groups (see Table 7.6 about the stakeholder groups engaged with this topics). The number of reports by the award-winning companies fluctuated in the 12-year observation – there were even no reports

found in 2008 and 2009. The reports by non-award-winning companies numbered six and seven reports from 2012 to 2018.

Graph 7.10
The Environmental Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Award-Winning	1	0	0	1	3	3	2	1	3	3	2	2
Non-Award Winning	1	1	4	6	4	7	7	6	7	6	6	6

Source: Appendix 2Q

Graphs 7.8 to 7.10 reveal that the social and environmental topics arising from the stakeholder engagement have been disclosed in the 12-year observation. However, the number of reports disclosing these topics was less than the economic/business-as-usual topics. Even though companies disclose stakeholder engagement topics (GRI G4-27 in GRI, 2013: 44; see also GRI Standard Disclosure 102-44 in GRI, 2016: 32), the findings from Graphs 7.8 to 7.10 indicate that the disclosure deviates from the sustainability context principle (Behnam and MacLean, 2011) in the sense that the business-as-usual topics outnumber the social and environmental topics.

Not only do companies need to disclose sustainability topics arising from stakeholder engagement, they also need to disclose the way they respond to the topics of interest of the relevant stakeholder groups. To reiterate what is shown by Table 7.1, only eight

reports include the company's response to the disclosed stakeholder engagement topics (see GRI G4-27 in GRI, 2013; GRI Standard Disclosure 102-44 in GRI, 2016). The reports were issued by COMP2, COMP9, COMP12, COMP14 and COMP15. They operate in different business sectors, namely mining, automotive, banking and cement. One of the eight reports was issued by an ISRA award-winning company (COMP14). Seven reports were issued by companies listed on the IDX (COMP2, COMP9, COMP12, COMP14) while one report was issued by a non-listed company (COMP15). Five reports were issued by SOEs (COMP2, COMP12 and COMP14) while three reports were issued by non-SOEs or private companies (COMP9 and COMP15). The low disclosure of the companies' response to stakeholders' concerns is likely because local communities in Indonesia appreciate 'the walk' more than 'the talk' (Bhinekawati, 2017). Companies may pay more attention to the real actions through their CSR programmes than the disclosures in their CSR/sustainability reports. What counts as 'responses' here are the companies' acts in response to their stakeholders' desires, either in proactive or reactive ways (see Torelli et al., 2020; Wood, 1991). Table 7.7 shows proactive and reactive responses to the disclosed stakeholder engagement topics.

COMP9 (2018: 38-39) discloses its proactive response to dust emissions from cement production by installing bag filters in the factories and planting trees surrounding the factories. Meanwhile, an example of a reactive response is found in COMP15 (2017: 9) where the company responded to its shareholders' concern regarding the declining coal price by promoting efficiency and meeting production targets at an optimal economic scale.

Table 7.7
Company Responses to the Disclosed Stakeholder Engagement Topics

No	Responses to Stakeholder Engagement Topics Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Proactive response	8	COMP2 (1 report); COMP9 (3 reports); COMP12 (2 reports); COMP14 (1 report); COMP15 (1 report).	Mining (2 reports); Automotive (1 report); Banking (2 reports); Cement (3 reports).	Award-Winning Company (1 report) Non-Award-Winning Companies (7 reports)	Listed Companies (7 reports) Non-Listed Company (1 report)	SOEs (5 reports) Non-SOEs (3 reports)
	‘*To prevent* the bank from being used as a means of money laundering and terrorism financing crimes, the bank implements the Anti-Money Laundering and Counter-Terrorism Financing Program (APU-PPT) adequately’ (COMP12, 2017: 53).						
2	Reactive response	4	COMP9 (3 reports); COMP15 (1 report).	Mining (1 report); Cement (3 reports).	Non-Award-Winning Companies (4 reports)	Listed Companies (3 reports) Non-Listed Company (1 report)	SOEs (4 reports)
	‘The company *responded* [to the increased factory overheads of 40 per cent] with a rapid and agile response by promoting cost efficiency and producing environmentally friendly products’ (COMP9, 2017: 13).						

Source: Appendix 2R

The finding that only eight reports disclose the companies' responses to stakeholder concerns is similar to that from a study by Moratis and Brandt (2017), where 'less than half of the studied reports contained clear disclosures about how firms had responded to stakeholder concerns' (p. 312). They posit that the disclosure of a company's response to stakeholder concerns reflects the company's responsiveness – that is 'the extent of a firm's understanding of its stakeholder concerns and if the issues raised were delegated to relevant decision-makers within the firm' (p. 315).

This section presented the disclosure on stakeholder engagement topics. Content analysis in this section reveals that the vast majority of the reports being studied disclose the topics arising from stakeholder engagement. They also disclose which stakeholder groups are concerned about the topics. However, the majority of them do not disclose the response to the topics. A closer look at the reports being studied reveals that the topics are more often about economic or business-as-usual topics than social and environmental topics. The next section outlines the disclosure on the materiality in sustainability reporting.

7.6. MATERIALITY IN SUSTAINABILITY REPORTING

GRI advises companies to 'explain the process for defining the report content' and also 'explain how the organisation has implemented the reporting principles for defining report content' (see GRI G4-18 in GRI, 2013: 31; see also GRI Standard Disclosure 102-46 in GRI, 2016: 34). To recall from Table 7.1, 74 reports explain the process for defining report content but only 38 reports explain the implementation of the reporting principles for defining report content. The disclosing companies present these GRI indicators regardless their business sectors, whether they are ISRA award-winning or non-award-winning companies, companies listed or not listed on the IDX and SOEs or private companies

7.6.1. Explaining the Process for Defining Report Content

Panel A in Table 7.8 shows various ways to explain the process for defining report content which are found from the data set. There are 48 reports that explain the process by providing a figure depicted by GRI (2013: 32). The process is comprised of four stages, namely identification, prioritisation, validation and review (see GRI G4-18 in GRI, 2013; see also GRI Standard Disclosure 102-46 in GRI, 2016). There are also 51 reports that explain the development of a materiality matrix by providing a visual figure depicted by GRI (2013: 12). Besides, there are also 48 reports that explain the process by mentioning the stakeholder engagement approaches used in every stage of the process, while 20 reports explaining the process do not mention this. Panel B in the same table provides more detailed information about stakeholder engagement approaches used in every stage of the process. Overall, the report preparers take control of the inclusion of stakeholder groups in the process for defining report content and the selection of sustainability information in the companies' sustainability reports.

7.6.1.1. Identification Stage

It is evident that 47 reports disclose the use of internal workshops or FGDs in the identification stage (see Panel B in Table 7.8). COMP4 (2017: 39), for instance, states that the identification process is carried out through an FGD attended by the sustainability reporting team consisting of various elements in the company. In a similar vein, COMP1 (2018: 41) explains that the company identifies sustainability issues through desktop research during an internal workshop. Dialogic engagement is clearly conducted only with the internal stakeholders and the participation of external stakeholders is seemingly disregarded in identifying important topics in the company's sustainability reports. Furthermore, COMP1 also states in the same report that 'in the forum [i.e., FGD/workshop], all the important topics were

identified by all the attending participants *filling in the working papers* so that a list of important topics/materials, including the boundary, can be obtained' (p. 39, emphasis added). Paperwork seems to be highlighted by the company in the internal FGD/workshop instead of discussions, as the essence of the FGD. This is in contrast with the study by Bellucci et al. (2019) who found that the companies they were studying fostered communications with a broad range of stakeholders as the essence of dialogic stakeholder engagement. Seen through the neo-institutional theory lens, the internal FGDs reflect a non-conformity response to the GRI's stakeholder inclusiveness and materiality principles (Rodríguez-Gutiérrez, 2021). It is apparent that the report preparers take control of the inclusion of stakeholder groups (by including only the internal stakeholders while disregarding the external stakeholders) in identifying material topics through the FGD.

Table 7.8
Explaining the Process for Defining Report Content

Panel A. Ways to Explain the Process for Defining Report Content

No	Ways to Explain the Process for Defining Report Content Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Explaining materiality aspects by providing a visual figure which illustrates the development of a materiality matrix depicted by GRI (2013: 12)	51	COMP1 (6 reports); COMP2 (2 reports); COMP4 (4 reports); COMP5 (4 reports); COMP6 (1 report); COMP7 (2 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports); COMP13 (2 reports); COMP14 (3 reports); COMP15 (3 reports).	Mining (26 reports); Automotive (2 reports); Pharmaceutical (4 reports); Banking (7 reports); Agriculture (3 reports); Cement (5 reports); Telecommunications (4 reports).	Award-Winning Companies (13 reports) Non-Award-Winning Companies (38 reports)	Listed Companies (41 reports) Non-Listed Companies (10 reports)	SOEs (23 reports) Non-SOEs (28 reports)
	‘Determination of material information was based on the results of identification of the degree of importance and significant impact on stakeholders using a scale of 1 (low), 2 (medium), 3 (high) and 4 (very high) [showing *a figure* adapted from GRI (2013:12)’ COMP9 (2018: 101).						
2	Explaining the process for defining report content by providing a visual figure depicted by GRI (2013: 32)	48	COMP1 (4 reports); COMP2 (2 reports); COMP4 (5 reports); COMP7 (2 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (4 reports); COMP11 (6 reports); COMP12 (6 reports); COMP13 (2 reports); COMP14 (4 reports); COMP15 (2 reports).	Mining (24 reports); Automotive (2 reports); Pharmaceutical (5 reports); Banking (6 reports); Agriculture (2 reports); Cement (5 reports); Telecommunications (4 reports).	Award-Winning Companies (12 reports) Non-Award-Winning Companies (36 reports)	Listed Companies (39 reports) Non-Listed Companies (9 reports)	SOEs (17 reports) Non-SOEs (31 reports)
	‘… The second step was prioritizing, namely studying a number of sustainability aspects and deciding which of them should be prioritized for the report.… The process is illustrated below [showing *a figure* adapted from GRI (2013: 32)’ (COMP1, 2014: 28).						

No	Ways to Explain the Process for Defining Report Content Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
3	Explaining the process for defining the report content by mentioning the stakeholder engagement approaches used in every stage of the process	48	COMP1 (3 reports); COMP2 (1 report); COMP4 (6 reports); COMP5 (1 report); COMP7 (2 reports); COMP8 (6 reports); COMP9 (5 reports); COMP10 (4 reports); COMP11 (6 reports); COMP12 (6 reports); COMP13 (2 reports); COMP14 (3 reports); COMP15 (3 reports).	Mining (23 reports); Automotive (1 report); Pharmaceutical (6 reports); Banking (7 reports); Agriculture (2 reports); Cement (5 reports); Telecommunications (4 reports).	Award-Winning Companies (10 reports) Non-Award-Winning Companies (38 reports)	Listed Companies (37 reports) Non-Listed Companies (11 reports)	SOEs (18 reports) Non-SOEs (30 reports)
	'To identify topics, [COMP4] undertook an *internal FGD* attended by the sustainability reporting team. The company sent *questionnaires* to other stakeholder groups not accommodated in the FGD' (COMP4, 2014: 30).						
4	Explaining the process for defining the report content but not mentioning the stakeholder engagement approaches used in every stage of the process	20	COMP1 (4 reports); COMP3 (6 reports); COMP5 (3 reports); COMP7 (4 reports); COMP13 (1 report); COMP14 (2 reports).	Mining (13 reports); Banking (3 reports); Agriculture (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (14 reports)	Listed Companies (19 reports) Non-Listed Company (1 report)	SOEs (7 reports) Non-SOEs (13 reports)
	'[COMP14] started the report preparation process by *identifying* economic, social and environmental aspects and topics that are considered *material* for the sustainability of [COMP14]' (COMP14: 2018: 12).						

Source: Appendix 2S

Panel B. Explaining the Process for Defining the Report Content by Mentioning the Stakeholder Engagement Approaches Used in Every Stage of the Process

No	Process for Defining Report Content	Stakeholder Engagement Approaches Found in the Dataset (Number of Reports)			
		Internal Discussions/ Workshops/FGDs	Surveys	Feedback Forms	Interviews
1	Identification	47	0	0	0
	'In the first stage, [COMP1] held an *FGD* attended by the various departments *within* the organisation' (COMP1, 2015: 28).				
2	Prioritisation	47	25	0	3
	'Second, *priority* of material aspect reporting through *FGD* process and *interviews*' (COMP7, 2015: 18).				
3	Validation	9	0	0	0
	'Validation: All material topics were *validated* and *approved* by the *Corporate Secretary and Communication Division* to be prioritised as the information to be presented in this report' (COMP12, 2017: 11).				
4	Review	0	0	17	0
	'Review: [COMP15] is open to receiving stakeholders' *feedback* and each of them will be reviewed for further consideration to improve the reporting quality in the next period' (COMP15, 2017: 100). '… five significant feedbacks were received regarding the quality and quantity of coal and have been completed' (p. 35).				

Source: Appendix 2T

7.6.1.2. Prioritisation Stage

Panel A in Table 7.8 shows that there are 51 reports which disclose the materiality aspects by providing a visual figure which illustrates the development of a materiality matrix depicted by GRI (2013: 12). For example, COMP4 (2017: 41) acknowledges that it follows the guidance provided by GRI (2013: 12) on materiality matrices to produce the list of material topics. The matrix was developed by classifying the importance of sustainability issues into three groups, namely less, medium and highly important issues for both the company (X-axis) and stakeholders (Y-axis). Only the highly important issues for both parties were reported in detail in the 2017 sustainability report. Likewise, COMP12 (2018: 12) identifies 15 material sustainability topics and locates them in the materiality matrix. Among them, 12 topics were considered 'high value sustainability issues' but only eight topics were discussed in greater

depth in the sustainability report. Unfortunately, there is no explanation about how or why those eight topics became the focus of the report.

Musyawarah untuk mufakat (deliberations to reach a consensus) in the context of Indonesia's growing democratisation has the potential to open up dialogic engagement opportunities with a broad range of stakeholders in prioritising sustainability issues (Jurriëns, 2009; Patunru et al., 2018). However, the disclosures of materiality assessments seem to be overly technical by highlighting the complex details in the development of the materiality matrix. In a similar vein, Puroila and Mäkelä (2019) found that the disclosures of materiality assessments lack the sociopolitical aspects which reflect the complex process of reaching a consensus on material topics to be included in sustainability reports. GRI (2016) suggests, 'It is important that the organisation can *explain the process* by which it determined the priority of the topics' (p. 10). The presence of such an explanation can potentially improve the transparency and add to the informativeness of the process of determining material topics to be included in sustainability reports. That is because the readers are informed about how companies consider and respond to divergent and sometimes conflicting sustainability views among their stakeholders, both internal and external, and how companies come up with the 'agreed' sustainability issues to be disclosed in the reports, beyond the technical explanation of the materiality matrix (Puroila and Mäkelä, 2019).

Panel B in the same table shows that internal discussion/workshops/FGDs, questionnaire surveys and interviews are the stakeholder engagement approaches used in the prioritisation stage, as evident in 47, 25 and 3 reports respectively. For example, COMP15 (2012: 18) shows that the company undertook *interviews* with key stakeholders. The company discloses the results of the interviews in the form of stakeholders' *testimonies* (pp. 73-75). The testimonies are utilised to convince the report readers that the disclosed CSR programmes matter to the stakeholders (Cheng, 2012). COMP12 (2018: 11) states that sustainability topics

were prioritised through *internal discussion* in a meeting on 20 December 2018. Again, even though companies attempt to promote dialogic engagement, prioritisation of sustainability topics is limited to the internal stakeholders. Meanwhile, COMP4 (2017: 39) states, 'This process [i.e., the prioritisation of sustainability topics] was carried out using the same working paper as in the first step [i.e., desktop research in the internal FGD in the identification stage]... important topics were grouped into a number of issues and a survey was then conducted to determine the level of materiality by sending *questionnaires* to the stakeholders, including the internal companies'.

Even though the stakeholder engagement undertaken by COMP4 in the prioritisation stage is more inclusive than that by COMP12, it seems that internal stakeholders still have greater control over the process. Firstly, that is because sustainability topics are identified through desktop research in the FGD with the internal stakeholders only. The identification process, if conducted in that way, may exclude important topics from the perspective of the external stakeholders.

Secondly, external stakeholders – by means of a questionnaire survey – are asked to state their important concerns based on the list of topics prepared by the internal stakeholders. Important topics, as perceived by the external stakeholders, may not be on the list and they can only choose from among the topics on the list. Consequently, sustainability topics in the report are seemingly determined based only on the perspective of the internal stakeholders, after having 'consulted' with the external stakeholders through a questionnaire survey. Reports compiled in that way potentially demonstrate sustainability information that is deemed material for the report preparers but disregard items that may matter to a broader range of stakeholders. This finding is in line with a study by Beske et al. (2020) who stated that 'the materiality determination process reflects the *management decision processes* to publish specific information. In this sense … companies can *(mis)use* the materiality concept to *exclude*

negative information' (p. 163, emphasis added). That is likely because 'companies *consult* their stakeholders, report on those activities but *rarely involve them in the decision processes*' (p. 170, emphasis added).

Despite the multiple stakeholder engagement approaches, they are rather symbolic – stakeholders were consulted through questionnaires and interviews but, in the end, sustainability issues were prioritised internally by the companies' management. The neo-institutional theory explains that the companies engage with a broad range of stakeholders to obtain legitimacy but their internal objectives induce them to prioritise only sustainability issues that do not harm their reputation (Hawn and Ioannou, 2016). In the prioritisation stage, it is evident that the report preparers tend to take control of the inclusion of stakeholder groups and the selection of sustainability information in the companies' sustainability reports.

7.6.1.3. Validation Stage

Panel B in Table 7.8 shows that the validation of material issues is internally discussed and approved, as shown by nine reports. COMP7 (2015: 18, emphasis added), for example, states that data validation is undertaken by an internal team where the CSR Division acts as the coordinator whereas the approval of material aspects is performed by the president director. Similarly, COMP8 (2017: 14) states that the prioritised sustainability topics in the survey are internally discussed and approved by the director of sustainability and risk management as the information to be presented in the company's sustainability report. The findings indicate the practice of 'managerial capture' where managers take control of the information to be included in the companies' sustainability reports (see Baker, 2010; O'Dwyer, 2003; Owen et al., 2000).

The validation process involves an assessment of prioritised materiality issues and it ends up with a list of material topics. In this regard, GRI suggests companies 'list all the

material aspects identified in the process for defining the report content' (see GRI G4-19 in GRI, 2013: 41; see also GRI Standard Disclosure 102-47 in GRI, 2016: 35). Table 7.1 shows that 85 reports list their material topics. The list indicates that the report preparers being studied are able to select issues that matter for both the reporting companies and their stakeholders (Torelli et al., 2020). However, since the identification, prioritisation and validation of material issues are mostly undertaken by the internal stakeholders (see Panel B in Table 7.8) the topics included in the sustainability reports are less likely to represent the external stakeholders' expectations. That is because the report preparers take control of the degree of stakeholder inclusion and the selection of the sustainability information. According to Owen et al. (2000), taking control of the process through managerial capture may result in sustainability disclosures that 'will almost certainly be shallow' and potentially 'diminish the meaning of corporate social responsibility and accountability' (p. 86) because the report content is defined from the perspective of the report preparers instead of a broad range of stakeholders. From the perspective of neo-institutional theory, managerial capture reflects the managers' non-conformity response to the GRI's stakeholder inclusiveness and materiality principles because the external stakeholders do not have control of the process of validating (i.e., discussing/assessing and approving) sustainability issues that matter to them to be included in the companies' sustainability reports (Smith et al., 2011).

7.6.1.4. Review Stage

Companies expect to receive feedback in the review stage from their internal and external stakeholders about the issued reports, as shown by 17 reports in Panel B in Table 7.8. COMP4 (2017: 39) posits that this stage aims to consider the feedback and reviews about the previous annual and sustainability reports, in order to improve its next sustainability report.

COMP7 (2015: 18) states that the review process is based on the feedback from internal and external stakeholders about the company's last published sustainability report.

As the process for defining report content forms a cycle (see GRI, 2013: 32), the stakeholder feedback in this review stage was found to be utilised as a basis for identifying material topics through internal FGDs in the next reporting period, as outlined earlier. For example, COMP5 (2013: 42-43, emphasis added) states, 'the process of *identifying* material aspects to be disclosed in the report was applied by *studying the feedback* and input from stakeholders on the previous sustainability report'. A similar finding is revealed in a study by Kaur and Lodhia (2019), who discovered that 'social and environmental issues are addressed unilaterally, based on feedback from the stakeholders without incorporating them in the decision-making process' (p. 165). Materiality assessments in the next reporting cycle should not be solely based on the stakeholder feedback about the previous year's report. That is because the business environment and the views of the stakeholders about corporate sustainability change over time (Bellucci and Manetti, 2019). From the point of view of the neo-institutional theory, the act of providing the feedback form in the company's sustainability report reflects the symbolic stakeholder engagement (Rodríguez-Gutiérrez, 2021; Schons and Steinmeier, 2016) as the stakeholders' feedback are not incorporated in the decision-making process – including in the materiality assessment process.

This subsection outlined the results of the content analysis of sustainability reports explaining the process for defining the report content. It is evident that the internal stakeholders take control of the process through managerial capture. The next subsection outlines the results of the content analysis of sustainability reports explaining the implementation of reporting principles for defining the report content.

7.6.2 Explaining the Implementation of Reporting Principles for Defining Report Content

To reiterate what is shown in Table 7.1, 38 reports explain the implementation of the reporting principles for defining report content, namely stakeholder inclusiveness, sustainability context, materiality and completeness principles. The disclosing companies explain it regardless of their business sectors, whether they are ISRA award-winning or non-award-winning companies, companies listed or not listed on the IDX, and SOES or non-SOES/private companies. GRI expects companies to go beyond mentioning the principles by explaining their implementation when preparing sustainability reports (see GRI G4-18 in GRI, 2013: 31; see also GRI Standard Disclosure 102-46 in GRI, 2016: 34). COMP14 (2018: 12), for example, only mentions but does not explain the implementation of the principles. 'Following the [GRI] guidelines, the company employs the principles of stakeholder inclusiveness, sustainability context, materiality and completeness in determining the contents of this report'. Tables 7.9 to 7.12 respectively show the disclosures representing the implementation of stakeholder inclusiveness, sustainability context, materiality and completeness principles among 38 reports explaining them.

For companies disclosing the implementation of the principles, the disclosed implementation seems to deviate from the essence of the principles, as suggested by the reporting framework. From the perspective of the neo-institutional theory, the deviation reflects the non-conformity response to the GRI's principles for defining report content (Schons and Steinmeier, 2016). The deviation is likely to happen because sustainability reporting is a highly opaque field (Wijen, 2014) where 'the relation between corporate activities and socioenvironmental outcomes is hard to fully understand, causally attribute and precisely measure' (p. 303). Therefore, 'voluntary sustainability standards induce corporate adopters with divergent motivations and resources to *(partially) achieve* the socioenvironmental *goals*

of a standard' (p. 304, emphasis added). Being in a highly opaque field, the way companies interpret and implement the principles accordingly disconnects with the goals of the principles expected by the reporting framework (Bromley and Powell, 2012).

7.6.2.1. Stakeholder Inclusiveness Principle

Table 7.9 shows the ways the companies being studied explain the implementation of the stakeholder inclusiveness principle. The principle suggests that 'the reporting organisation shall *identify* its stakeholders, and explain how it has *responded* to their reasonable expectations and interests.… Stakeholders can include employees and other workers, shareholders, suppliers, vulnerable groups, local communities and NGOs or other civil society organisations, among others' (GRI, 2016: 8, emphasis added). Companies are expected to engage with a wide range of relevant stakeholder groups to capture their views on corporate sustainability. The table shows that there are 36 of 38 reports demonstrating the identification of multiple stakeholder groups but there is no report showing the company's response to stakeholder engagement topics. The disclosing companies report the stakeholder identification regardless of their business sectors, whether they are ISRA award-winning or non-award-winning companies, companies listed or not listed on the IDX, and SOES or non-SOES/private companies.

To implement the stakeholder inclusiveness principle, GRI does not recommend specific stakeholder engagement approaches but 'the overall *approach* is to be *sufficiently effective* so that stakeholders' information needs are *properly understood*' (GRI, 2016: 8, emphasis added). The table shows that companies use internal discussion/workshops/FGDs, surveys, feedback forms and interviews in identifying, prioritising, validating and reviewing sustainability issues/topics. Among 38 sustainability reports explaining the implementation of the stakeholder inclusiveness principle, there are 27 reports disclosing the use of internal discussion/workshops/FGDs in the identification stage. The stakeholder engagement approach

is also evident in the prioritisation stage (27 reports) and validation stage (3 reports). Besides, surveys and interviews are used to prioritise sustainability issues, as evident in 15 reports and 1 report respectively. In the review stage, 11 reports show the use of feedback forms.

For instance, COMP8 (2017: 13-14) discloses that the identification of sustainability topics was discussed internally, based on the characteristics of the mining industry and its impact on the stakeholders. Instead of engaging with a broader range of stakeholders, the internal stakeholders undertook desktop research to identify sustainability topics that were perceived to be important to the external stakeholders. From the identified sustainability topics, the company conducted a survey to prioritise them. The prioritised topics again went to an internal discussion and required validation through approval by a director, as the information was to be included in the company's sustainability report. To review the report content, the company invited feedback on the issued sustainability report from both its internal and external stakeholders. The feedback was used as a resource for identifying sustainability topics in the next reporting cycle.

From the findings, stakeholder engagement practices deviate from the essence of stakeholder inclusiveness. According to the neo-institutional theory, the deviation reflects the non-conformity response to the GRI's stakeholder inclusiveness principle since the overall process for defining report content seems to be at the management's discretion (Aluchna and Roszkowska-Menkes, 2019). The external stakeholders' participation in defining report content is limited and the internal stakeholders take control of the selection of the sustainability information to be included in the sustainability report. 'It is important that the process of stakeholder engagement is capable of identifying *direct input* from stakeholders' (GRI, 2013: 9, emphasis added). Such management discretion may have the consequence that 'accountability and transparency are of reduced importance when compared to management's advantage [in terms of control over the report]' (Owen et al., 2000: 85).

Table 7.9
Explaining the Implementation of the Stakeholder Inclusiveness Principle

No	Ways to Explain the Implementation of the Stakeholder Inclusiveness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
A. IDENTIFYING STAKEHOLDERS AND RESPONDING TO STAKEHOLDER ENGAGEMENT TOPICS ('The reporting organisation shall *identify* its stakeholders, and explain how it has *responded* to their reasonable expectations and interests', see GRI 101 Foundation in GRI, 2016: 8, emphasis added)							
1	Stakeholder identification	36	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (2 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (2 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (30 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (23 reports)
	COMP1 (2014: 60-64) provides a table showing *various stakeholder groups* along with the basis/criteria used for identifying and selecting each of them. For example, local communities are identified and selected based on the criteria of their proximity and dependency.						
2	Response to stakeholder engagement topics	0	Disclosure not found				
B. DISCLOSING STAKEHOLDER ENGAGEMENT APPROACH ('The overall *approach* is to be sufficiently effective so that stakeholders' information needs are properly understood', see GRI 101 Foundation in GRI, 2016: 8, emphasis added)							
B.1. STAKEHOLDER ENGAGEMENT APPROACH IN THE IDENTIFICATION STAGE (Found in the Dataset)							
3	Internal discussion/ workshops/FGDs in the identification stage	27	COMP2 (1 report); COMP4 (6 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (10 reports); Automotive (1 report); Pharmaceutical (6 reports); Banking (3 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (23 reports)	Listed Companies (21 reports) Non-Listed Companies (6 reports)	SOEs (8 reports) Non-SOEs (19 reports)
	'The *FGD* was attended by the *middle and upper management* levels. They are upstream director, human resources director, 7 business area leaders, 26 heads of division, and department representatives at the Jakarta corporate office.… The FGD activity was focused on the identification of sustainability contexts as the determining foundation of the material aspect priority' (COMP7, 2014: 20).						

No	Ways to Explain the Implementation of the Stakeholder Inclusiveness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
B.2. STAKEHOLDER ENGAGEMENT APPROACHES IN THE PRIORITISATION STAGE (Found in the Dataset)							
4	Internal discussion/workshops/FGDs in the prioritisation stage	27	COMP2 (1 report); COMP4 (6 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (10 reports); Automotive (1 report); Pharmaceutical (6 reports); Banking (3 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (23 reports)	Listed Companies (21 reports) Non-Listed Companies (6 reports)	SOEs (8 reports) Non-SOEs (19 reports)
	'We conducted an *FGD* to *determine material aspects* and the boundary of the report content. These discussions were attended by the members of the Sustainability Report Preparation Team from the related work units' (COMP11, 2015: 33).						
5	Surveys in the prioritisation stage	15	COMP2 (1 report); COMP4 (1 report); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (4 reports).	Mining (8 reports); Automotive (1 report); Pharmaceutical (1 report); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (11 reports)	Listed Companies (14 reports) Non-Listed Company (1 report)	SOEs (6 reports) Non-SOEs (9 reports)
	'[COMP9] determines *material topics* based on the results of the company's internal and external *surveys*' [COMP9, 2015: 82).						
6	Interviews in the prioritisation stage	1	COMP7 (1 report).	Agriculture (1 report)	Non-Award-Winning Company (1 report)	Listed Company (1 report)	SOE (1 report)
	'Stakeholder engagement is performed to *determine the scope and materiality topic* through FGD and *interview*' (COMP7, 2015: 16).						
B.3. STAKEHOLDER ENGAGEMENT APPROACH IN THE VALIDATION STAGE (Found in the Dataset)							
7	Internal discussion/workshops/FGDs in the validation stage	3	COMP7 (1 report); COMP8 (2 reports).	Mining (2 reports); Agriculture (1 report).	Non-Award-Winning Companies (3 reports)	Listed Companies (3 reports)	SOEs (3 reports)
	'Validation: All material topics were *discussed and approved by the director of sustainability and risk management* to be prioritised as the information to be presented in this report. The discussion took place at [COMP8's] Head Office in Jakarta, on 18 January 2018' (COMP8, 2017: 14).						

No	Ways to Explain the Implementation of the Stakeholder Inclusiveness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
B.4. STAKEHOLDER ENGAGEMENT APPROACH IN THE REVIEW STAGE (Found in the Dataset)							
8	Feedback forms in the review stage	11	COMP4 (3 reports); COMP7 (1 report); COMP8 (2 reports); COMP10 (4 reports); COMP11 (1 report).	Mining (3 reports); Pharmaceutical (3 reports); Agriculture (1 report); Telecommunications (4 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (7 reports)	Listed Companies (8 reports) Non-Listed Companies (3 reports)	SOEs (3 reports) Non-SOEs (8 reports)
	‘A *review* of the previous year’s report was discussed by taking into account both internal and external stakeholders’ *feedbacks*’ (COMP8, 2017: 14).						

Source: Appendix 2U

7.6.2.2. Sustainability Context Principle

Table 7.10 shows the ways the companies being studied explain the implementation of the sustainability context principle. The sustainability context principle suggests sustainability reports 'shall present the reporting organisation's performance in the *wider context* of sustainability' (see GRI 101 Foundation in GRI, 2016: 9, emphasis added). Companies are expected to demonstrate their actions beyond their business-as-usual performances in sustainability reports. The table, however, shows that the vast majority of sustainability topics fall into the category of business-as-usual instead of the broader context of sustainability, as expected by the reporting framework – as is evident in 36 of 38 sustainability reports.

For example, COMP8 (2017: 12) explains that the sustainability context principle was implemented by identifying risks and addressing the stakeholders' needs. Taking a closer look at the identified sustainability risks, COMP8, which operates in the mining industry sector, acknowledges that the sustainability risks are related to 'natural and human-made disasters' (p. 12). The company posits that if the risks were not mitigated, they would potentially impact on the company's 'financial status, reputation, and credibility towards its stakeholders (p. 40). To address the stakeholders' needs regarding such risks in the industry, COMP8 places importance on its capability to continue its business (p. 40). Similarly, COMP1 (2018: 40) implements the sustainability context principle by covering 'sustainability topics relevant to [the company's] business and operations'.

Table 7.10
Explaining the Implementation of the Sustainability Context Principle

No	Ways to Explain the Implementation of the Sustainability Context Principle Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Disclosing economic/ business-as-usual topics arising from stakeholder engagement	36	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (2 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (2 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (30 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (23 reports)
	COMP2 (2016: 40) provides a table showing that customers are engaged in the topics of the quality of products and services.						
2	Disclosing social topics arising from stakeholder engagement	21	COMP1 (2 reports); COMP2 (4 reports); COMP3 (1 report); COMP4 (5 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP12 (2 reports).	Mining (7 reports); Automotive (4 reports); Pharmaceutical (5 reports); Banking (2 reports); Agriculture (2 reports); Cement (1 report).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (19 reports)	Listed Companies (16 reports) Non-Listed Companies (5 reports)	SOEs (11 reports) Non-SOEs (10 reports)
	COMP3 (2013: 39-40) provides a table showing that communities are engaged in the topics of the implementation of CSR programmes and employment opportunities.						

No	Ways to Explain the Implementation of the Sustainability Context Principle Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
3	Disclosing environmental topics arising from stakeholder engagement	5	COMP1 (1 report); COMP8 (2 reports); COMP12 (2 reports).	Mining (3 reports); Banking (2 reports).	Award-Winning Company (1 report) Non-Award-Winning Companies (4 reports)	Listed Companies (5 reports)	SOEs (2 reports) Non-SOEs (3 reports)
	COMP8 (2018: 48-49) provides a table showing that society and communities are engaged in topics related to land restoration.						

Source: Appendix 2V

According to the findings, the practice deviates from the sustainability context principle. From the perspective of the neo-institutional theory, the deviation reflects the non-conformity response to the GRI's sustainability context principle in the sense that companies seemingly view the *sustainability* context as efforts to *sustain* their business-as-usual practices and reputations (Heras-Saizarbitoria et al., 2021). Implementing the principle in that way, according to Passetti et al. (2019: 173), reflects 'a business case approach … dominated by the achievement of company interests and realised through rhetorical communication.… [As a result], the interests and perspectives of the stakeholders are only marginally considered'.

7.6.2.3. Materiality Principle

Table 7.11 shows the ways the companies being studied explain the implementation of the materiality principle. GRI suggests that 'in sustainability reporting, materiality is the principle that *determines* which *relevant topics* are sufficiently *important,* so it is essential *to report* on them. *Not all* material topics are of equal importance and the emphasis within a report is expected to *reflect their relative priority*' (see GRI 101 Foundation in GRI, 2016: 10, emphasis added). In a similar vein, Jones et al. (2016) suggest the material topics to be included in a sustainability report should be based on a mechanism that can *prioritise the most relevant topics* in the reporting period, for *both* the company and its stakeholders.

Table 7.11
Explaining the Implementation of the Materiality Principle

Panel A. Ways to Explain the Implementation of the Materiality Principle

No	Ways to Explain the Implementation of the Materiality Principle Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Providing the list of material topics	38	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP 11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (32 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (25 reports)
	COMP1 (2014: 30) provides a list of material topics (21 topics in total), ranging from economic, social and environmental topics.						
2	Presenting material topics into a materiality matrix	24	COMP1 (2 reports); COMP2 (1 report); COMP4 (4 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports).	Mining (12 reports); Automotive (1 report); Pharmaceutical (4 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (18 reports)	Listed Companies (20 reports) Non-Listed Companies (4 reports)	SOEs (8 reports) Non-SOEs (16 reports)
	COMP8 (2016: 38) plots 22 material topics in a graph based on the importance of the topics for the company (X-axis) and stakeholders (Y-axis). The importance of the topics is classified into low, medium and high.						

Source: Appendix 2W

Panel B. The Reported Material Topics

No	Material Topics Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	The reported material topics $\leq$ 10 topics	4	COMP7 (1 report); COMP8 (2 reports); COMP9 (1 report).	Mining (2 reports); Agriculture (1 report); Cement (1 report).	Non-Award-Winning Companies (4 reports)	Listed Companies (4 reports)	SOEs (4 reports)
	COMP9 (2015: 84-85) reports eight material topics, namely CDM [clean development mechanism] and dust control programmes; alternative energy; work safety culture; [the name of the company's CSR programme]; preservation of mangrove trees and endangered animals; application of 4R principles (reduce, reuse, recycle, recovery); customer satisfaction; financial impact of weather on performance.						
2	10 topics < the reported material topics $\leq$ 15 topics	15	COMP1 (1 report); COMP2 (1 report); COMP3 (2 reports); COMP4 (3 reports); COMP8 (1 report); COMP10 (3 reports); COMP11 (4 reports).	Mining (8 reports); Automotive (1 report); Pharmaceutical (3 reports); Telecommunications (3 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (11 reports)	Listed Companies (12 reports) Non-Listed Companies (3 reports)	SOEs (2 reports) Non-SOEs (13 reports)
	COMP10 (2014: 27) reports 12 material topics, namely economic empowerment; community development; contribution to state revenue; business ethics; service quality; respect for human rights; employee benefits; training and education; occupational health and safety; energy conservation and efficiency; carbon CO_2 emissions mitigation; sustainable suppliers.						
3	15 topics < the reported material topics $\leq$ 20 topics	17	COMP2 (3 reports); COMP3 (2 reports); COMP4 (3 reports); COMP5 (2 reports); COMP7 (1 report); COMP10 (1 report); COMP11 (2 reports); COMP12 (3 reports).	Mining (4 reports); Automotive (3 reports); Pharmaceutical (3 reports); Banking (5 reports); Agriculture (1 report); Telecommunications (1 report).	Award-Winning Company (1 report) Non-Award-Winning Companies (16 reports)	Listed Companies (14 reports) Non-Listed Companies (3 reports)	SOEs (6 reports) Non-SOEs (11 reports)
	COMP4 (2013: 5) reports 16 material topics, namely economic performance; economic value generated and distributed; indirect economic impact; community's economic empowerment; material consumed; environment impact analysis; energy; emissions; manpower; occupational health and safety; training and education; diversity and opportunity; labour rights; labour relations; anti-corruption and bribery; biodiversity.						

No	Material Topics Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
4	The reported material topics > 20 topics	2	COMP1 (1 report); COMP8 (1 report).	Mining (2 reports)	Award-Winning Company (1 report) Non-Award-Winning Company (1 report)	Listed Companies (2 reports)	SOE (1 report) Non-SOE (1 report)
	COMP1 (2014: 31) reports 21 material topics, namely economic growth; regional minimum wage; community empowerment; local suppliers; building community infrastructure; energy efficiency and conservation; water management; biodiversity and management; mitigating greenhouse gas emissions; waste management; assessing suppliers in relation to environmental issues; post mining programme; emergency preparation for local communities; donations for communities; improving living conditions for communities; legal compliance; diversity and equal opportunity; employment; occupational health and safety; education and training; dialogue with local communities.						

Source: Appendix 2X

Panel A in Table 7.11 shows that all 38 sustainability reports explaining the implementation of the materiality principle provide the list of material topics. Among them, 24 reports present the material topics into a materiality matrix. Panel B shows the reported material topics resulted from the prioritisation process. The reported material topics range from 6 to 25 topics, with an average of 16 topics. The majority of sustainability reports being studied report between 10 and 20 material topics.

To reiterate from Table 7.9, 27 of 38 reports show the use of internal discussion/workshops/FGDs in prioritising their material topics. For example, COMP7 (2014: 21) states that there are 32 identified topics but they became 19 reported material topics after being prioritised in an *internal FGD* and validated by the company's top management. COMP10 (2015: 43) also explains that the company undertook a materiality assessment through an *internal discussion* for the reported material topics in its 2015 sustainability report. In a similar vein, COMP3 (2017: 5) explains that the reported material topics are based on the company's internal consensus.

The internally-driven materiality assessment is likely to prioritise the interests of internal stakeholders and result in sustainability topics that are not relevant to the external stakeholders or are presented in a way that preserves the company's reputation (Remmer and Gilbert, 2019; Torelli et al., 2020). A study by Torelli et al. (2020) reveals a similar finding expressed like this: 'Companies do not feel the need to involve all categories of stakeholders to understand the main issues, as they are already well aware of and prepared for the relevant issues' (p. 479). The practice of internal consensus in prioritising material topics deviates from the materiality principle in the sense that the external stakeholders are supposedly engaged in the materiality assessment but the internal stakeholders take control of the decision about what matters to the external stakeholders. Seen through the neo-institutional theory lens, the internally-driven materiality assessment indicates the non-conformity response to the GRI

materiality principle as the reported material topics are likely not the ones that matter to stakeholders (Edgley et al., 2015). Consequently, sustainability reports are potentially voluminous – with excessive material about the topics being reported – but shallow reporting nevertheless (see Bachoo et al., 2013; Owen et al., 2000; Parker, 2005). Companies potentially present sustainability information that matter to them, not their external stakeholders.

7.6.2.4. Completeness Principle

Table 7.12 shows the ways the companies being studied explain the implementation of the completeness principle. 'Completeness primarily encompasses the dimensions of *scope, boundary, and time*' (GRI, 2013: 17, emphasis added). The table shows that all 38 sustainability reports explaining the implementation of the completeness principle disclose the *scope* of the sustainability information. GRI (2016: 12) clarifies that the scope means the 'list of material topics covered in the report'. Therefore, the 'scope' in Table 7.12 overlaps with the 'list of material topics' disclosure in Panel A of Table 7.11.

The GRI's completeness principle (GRI, 2013: 17) suggests 'the report should include coverage of the *material aspects and their boundaries*, sufficient to reflect significant economic, environmental and social *impacts*'. The table shows that the reported material topics are within the company's boundary (6 reports) and there is a combination of within and outside the company's boundary (22 reports). However, rather than disclosing the positive and negative impacts as suggested, the reported material topics tend to highlight the companies' contributions to society, which are more about self-promoting their CSR programmes.

Table 7.12
Explaining the Implementation of Completeness Principle

No	Ways to Explain the Implementation of the Completeness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
DISCLOSING THE SCOPE ('Completeness primarily encompasses the dimensions of *scope, boundary, and time*' – see GRI, 2013: 17, emphasis added)							
1	Scope of sustainability information	38	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (32 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (25 reports)
	COMP9 (2015: 62) provides a table showing the company's various CSR programmes. For example, *offering scholarships, delivering free cataract surgery and health counselling, providing financial aid to SMEs, promoting research in bioenergy,* among others.						
DISCLOSING THE BOUNDARY ('Completeness primarily encompasses the dimensions of *scope, boundary, and time*' – see GRI, 2013: 17, emphasis added)							
2	Materiality topics are within and outside the company's boundary	22	COMP4 (3 reports); COMP5 (2 reports); COMP7 (1 report); COMP8 (4 reports); COMP10 (3 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (10 reports); Pharmaceutical (3 reports); Banking (5 reports); Agriculture (1 report); Telecommunications (3 reports).	Award-Winning Companies (3 reports) Non-Award-Winning Companies (19 reports)	Listed Companies (19 reports) Non-Listed Companies (3 reports)	SOEs (7 reports) Non-SOEs (15 reports)
	COMP10 (2013: 36) provides a figure showing 19 topics with the boundary *within* the company. Among them, two topics are also with the boundary *outside* the company, namely suppliers' labour practice assessment and suppliers' human rights assessment.						

No	Ways to Explain the Implementation of the Completeness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
3	Materiality topics are only within the company's boundary	6	COMP1 (2 reports); COMP4 (3 reports); COMP9 (1 report).	Mining (2 reports); Pharmaceutical (3 reports); Cement (1 report).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (4 reports)	Listed Companies (3 reports) Non-Listed Companies (3 reports)	SOE (1 report) Non-SOEs (5 reports)
	'The boundary of this report only covers [COMP4] and all the *internal* divisions' (COMP4, 2016: 43).						
DISCLOSING THE TIME ('Completeness primarily encompasses the dimensions of *scope, boundary, and time*' – see GRI, 2013: 17, emphasis added)							
4	Past events	38	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (4 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (4 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (32 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (25 reports)
	'To develop the productivity of silk weaving business in [a name of a place] … [COMP11] through its CSR division *developed the silk agribusiness development programme* … [COMP11] *disbursed* funding of Rp 745,317,060 …' (COMP11, 2015: 158).						
5	Ongoing events	10	COMP1 (1 report); COMP2 (2 reports); COMP5 (2 reports); COMP8 (2 reports); COMP10 (3 reports).	Mining (3 reports); Automotive (2 reports); Banking (2 reports); Telecommunications (3 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (6 reports)	Listed Companies (10 reports)	SOEs (6 reports) Non-SOEs (4 reports)
	'… a total of 20 hectares of trees had been planted by the end of 2014. *Currently*, the mine closure process in [mentioning the company's mining site] will continue until the end of 2015' (COMP1, 2014: 94).						

No	Ways to Explain the Implementation of the Completeness Principle	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
6	Future events	8	COMP3 (3 reports); COMP7 (1 report); COMP10 (1 report); COMP11 (3 reports).	Mining (6 reports); Agriculture (1 report); Telecommunications (1 report).	Award-Winning Company (1 report) Non-Award-Winning Companies (7 reports)	Listed Companies (8 reports)	SOE (1 report) Non-SOEs (7 reports)
	'Watershed rehabilitation is a long-term programme.… In the swamp areas, large and small mangroves species *will* be planted' (COMP3, 2013: 125).						
ENSURING THE COMPLETENESS (Found in the Dataset)							
7	Internal checking mechanism	36	COMP1 (2 reports); COMP2 (4 reports); COMP3 (4 reports); COMP4 (6 reports); COMP5 (2 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (1 report); COMP10 (2 reports); COMP11 (6 reports); COMP12 (3 reports).	Mining (16 reports); Automotive (4 reports); Pharmaceutical (6 reports); Banking (5 reports); Agriculture (2 reports); Cement (1 report); Telecommunications (2 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (30 reports) Non-Listed Companies (6 reports)	SOEs (13 reports) Non-SOEs (23 reports)
	'To ensure completeness, we *check and internally ensure* the actuality of all data and information by taking into account the applied regulations in the presentation of the information' (COMP3, 2013: 6).						

Source: Appendix 2Y

For example, COMP4 (2017: 118-123) describes the company's contribution to the mass vaccine production in coping with the outbreak of diphtheria in Indonesia. The report also describes the company's plan for the ongoing development of a geopark near the company's office. The reported material topics covering the past, ongoing and future CSR programmes, to some extent, deviate from the completeness principles in the sense that they are supposedly disclosing both positive and negative impacts from the operations. Complete sustainability reports should contain balanced information that reasonably represents companies' economic, social and environmental impacts (Joseph, 2012). A complete sustainability report 'does not omit relevant information that substantively influences stakeholder assessments and decisions, or that reflects significant economic, environmental and social *impacts*' (GRI, 2016: 12, emphasis added).

The table shows that the reported material topics cover sustainability information about what companies have done (38 reports), are doing (10 reports) and will do (8 reports). The findings indicate the lack of forward-looking information in the reports being studied. This finding is similar to a study by Kiliç and Kuzey (2018) in that the reports they were studying 'focused on short-term performance and included backward-looking information while ignoring future outlook' (p. 320).

Thirty-six of 38 reports disclose an internal checking mechanism to ensure that sustainability reports present complete information. COMP8 (2017: 12), for example, explains that the completeness principle was implemented by submitting relevant data and information to be *discussed and approved internally* in the report preparation process. Even though the inclusion of the stakeholders was limited to the internal stakeholders, the companies seem confident that the sustainability information disclosed in their sustainability reports is complete.

In a similar vein, COMP5 (2013: 44) explains that the company did not engage the external stakeholders when identifying, prioritising and validating material topics. The external stakeholders were only invited to provide feedback on the issued report in the review stage. The company states in the report, 'In defining material topics for this report, we are yet to directly involve our [external] stakeholders. However, the material topics presented are accurate, relevant, and accountable to the interests of our stakeholders'. The company's internal stakeholders seem confident they can capture the external stakeholders' expectations on sustainability issues.

The practice where the internal stakeholders take control of the process of selecting sustainability information to be included in the sustainability report deviates from the completeness principle. Companies may selectively report favourable information but disregard any unfavourable news, hence their sustainability reports do not include sustainability topics that matter to stakeholders. This is reflective of the non-conformity response to the GRI's completeness principle, seen through the neo-institutional theory lens (Aluchna and Roszkowska-Menkes, 2019). In this sense, sustainability disclosures tend to involve a public relations process where companies are simply 'self-reporting on their trustworthiness' (Swift, 2001: 23). Therefore, the material topics included in the sustainability report may not reflect significant economic, social and environmental impacts that actually matter to the external stakeholders.

This section outlined the disclosures about the materiality in sustainability reporting. More sustainability reports explain the process for defining the report content and list all the material topics (i.e., 74 and 85 reports respectively). However, only 38 reports explain the implementation of the reporting principles for defining the content. From the findings, the companies being studied are aware of the process for defining the content of the reports. However, the implementation of the reporting principles for defining the report content

deviates from the essence of the principles. The next section presents the findings on dealing with divergent stakeholder views.

7.7. DEALING WITH DIVERGENT STAKEHOLDER VIEWS

Table 7.13 shows disclosures indicating the companies' attempts to deal with divergent stakeholders' views through stakeholder feedback and grievance mechanisms. Panels A and B show the feedback disclosures whereas Panels C and D show the grievance mechanism disclosures. To reiterate from Table 7.1, 90 reports welcomed stakeholder feedback by providing contact details and 95 sustainability reports disclosed that companies have grievance mechanisms. Nason et al. (2018) posit grievances are a form of negative feedback from stakeholders, i.e., when the social and environmental performance is perceived below the stakeholders' expectations. A grievance mechanism, according to GRI (2016), is a 'system consisting of procedures, roles and rules for receiving *complaints* and providing *remedies*' (p. 12, emphasis added).

GRI suggests companies disclose the process of stakeholders' consultations and the resulting feedback (see GRI G4-37 in GRI, 2013: 53; see also GRI Standard Disclosure 102-21 in GRI, 2016: 19). Panel A shows that 90 reports (75 per cent) welcome stakeholders' feedback with information about the contact details on the reports and 75 reports (62.5 per cent) attach feedback forms. However, none of these reports disclose the response rate (e.g., how many actually responded with the feedback forms attached in the sustainability reports). Panel B reveals four functions for the feedback, namely to improve sustainability reporting in the future (58 reports), improve sustainability performance (19 reports), identify material issues (14 reports) and improve CSR programmes (5 reports). Despite the growing democratisation in Indonesia, the lack of formal education and knowledge on corporate sustainability may

hinder local communities from responding with the feedback forms – they prefer seeing companies' real actions through CSR in their reports (Bhinekawati, 2017).

The findings show higher rates than those in a study by Kaur and Lodhia (2014). In their study, 13 per cent of reports welcome stakeholders' feedback, 8.7 per cent reports provide feedback forms, 65.2 per cent provide contact details and 8.3 per cent disclose the use of the stakeholders' feedback. According to Herremans et al. (2016), providing opportunities for stakeholders' feedback indicates the companies' desire to learn from their stakeholders and understand their expectations. However, as outlined earlier, external stakeholders do not have reasonable control in defining the report content. Stakeholders' feedback is used to review the published sustainability reports and becomes an input for identifying sustainability issues/topics in the next reporting cycle, where the report preparers again take control of the stakeholders' inclusion and the selection of sustainability topics. From the neo-institutional theory's perspective, asking for stakeholders' feedback – but not considering it in defining report content – is reflective of symbolic stakeholder engagement (Dawkins, 2014; Nason et al., 2018; Schons and Steinmeier, 2016).

Table 7.13
Disclosures Indicating Companies' Attempts to Deal with Divergent Stakeholders' Views

Panel A. Obtaining Stakeholder Feedback

No	Ways to Obtain Stakeholder Feedback Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Feedback welcomed	90	COMP1 (11 reports); COMP2 (12 reports); COMP3 (9 reports); COMP4 (5 reports); COMP5 (7 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (7 reports); COMP10 (9 reports); COMP11 (7 reports); COMP12 (10 reports); COMP13 (3 reports); COMP14 (3 reports); COMP15 (1 report).	Mining (38 reports); Automotive (12 reports); Pharmaceutical (5 reports); Banking (17 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (9 reports).	Award-Winning Companies (23 reports) Non-Award-Winning Companies (67 reports)	Listed Companies (81 reports) Non-Listed Companies (9 reports)	SOEs (33 reports) Non-SOEs (57 reports)
	'[COMP1] is *hoping to get feedback* including constructive suggestions from stakeholders regarding the 2010 sustainability report'(COMP1, 2010: 21).						
2	Contact details provided	90	COMP1 (11 reports); COMP2 (12 reports); COMP3 (9 reports); COMP4 (5 reports); COMP5 (7 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (7 reports); COMP10 (9 reports); COMP11 (7 reports); COMP12 (10 reports); COMP13 (3 reports); COMP14 (3 reports); COMP15 (1 report).	Mining (38 reports); Automotive (12 reports); Pharmaceutical (5 reports); Banking (17 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (9 reports).	Award-Winning Companies (23 reports) Non-Award-Winning Companies (67 reports)	Listed Companies (81 reports) Non-Listed Companies (9 reports)	SOEs (33 reports) Non-SOEs (57 reports)
	'… we invite all stakeholders of [COMP4] … to convey any questions, feedback or criticism on the response sheet at the end of this report or to *contact*: [the company's address with phone and fax numbers, email, website, Twitter and Facebook addresses] (COMP4, 2013: 3).						

No	Ways to Obtain Stakeholder Feedback Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
3	Feedback form provided	75	COMP1 (8 reports); COMP2 (12 reports); COMP3 (3 reports); COMP4 (4 reports); COMP5 (7 reports); COMP7 (2 reports); COMP8 (4 reports); COMP9 (7 reports); COMP10 (8 reports); COMP11 (6 reports); COMP12 (7 reports); COMP13 (3 reports); COMP14 (3 reports); COMP15 (1 report).	Mining (28 reports); Automotive (12 reports); Pharmaceutical (4 reports); Banking (14 reports); Agriculture (2 reports); Cement (7 reports); Telecommunications (8 reports).	Award-Winning Companies (19 reports) Non-Award-Winning Companies (56 reports)	Listed Companies (67 reports) Non-Listed Companies (8 reports)	SOEs (33 reports) Non-SOEs (42 reports)
	'To improve our next report, please let us know what you think about the report by filling in the questionnaire below, and return this *feedback form* to us. Your views and criticisms are very much welcomed and appreciated' (COMP2, 2008: 81).						

Source: Appendix 2Z

Panel B. The Use of Feedback

No	The Use of Feedback Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	To improve future reports	58	COMP1 (4 reports); COMP2 (12 reports); COMP3 (6 reports); COMP4 (3 reports); COMP5 (7 reports); COMP8 (2 reports); COMP9 (2 reports); COMP10 (9 reports); COMP11 (6 reports); COMP12 (3 reports); COMP13 (3 reports); COMP15 (1 report).	Mining (22 reports); Automotive (12 reports); Pharmaceutical (3 reports); Banking (10 reports); Cement (2 reports); Telecommunications (9 reports).	Award-Winning Companies (13 reports) Non-Award-Winning Companies (45 reports)	Listed Companies (51 reports) Non-Listed Companies (7 reports)	SOEs (24 reports) Non-SOEs (34 reports)
	'We would be pleased to hear any question or feedback to further *improve our report in the future*' (COMP1, 2007: 3).						

No	The Use of Feedback Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
2	To improve sustainability performance	19	COMP2 (1 report); COMP3 (1 report); COMP4 (1 report); COMP5 (6 report); COMP7 (2 reports); COMP8 (1 report); COMP12 (5 reports); COMP13 (2 reports).	Mining (4 reports); Automotive (1 report); Pharmaceutical (1 report); Banking (11 reports); Agriculture (2 reports).	Non-Award-Winning Companies (19 reports)	Listed Companies (16 reports) Non-Listed Companies (3 reports)	SOEs (10 reports) Non-SOEs (9 reports)
	'In closing, we must stress the importance and our greatest appreciation for your kind input and feedback as valuable contributions in our pursuit for *sustainable improvement'* (COMP2, 2011: 7).						
3	To identify material issues	14	COMP3 (2 reports); COMP4 (5 reports); COMP5 (3 reports); COMP8 (2 reports); COMP11 (1 report); COMP12 (1 report).	Mining (5 reports); Pharmaceutical (5 reports); Banking (4 reports).	Non-Award-Winning Companies (14 reports)	Listed Companies (9 reports) Non-Listed Companies (5 reports)	SOEs (5 reports) Non-SOEs (9 reports)
	'*Material aspects* to be disclosed in the report were applied by studying the feedback and input from stakeholders on the previous sustainability report' (COMP5, 2013: 42-43).						
4	To improve CSR programmes	5	COMP1 (2 reports); COMP2 (3 reports).	Mining (2 reports); Automotive (3 reports).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (3 reports)	Listed Companies (5 reports)	SOEs (3 reports) Non-SOEs (2 reports)
	'[COMP1] also involves the community in all stages of CSR programmes.… In the monitoring and evaluation phase, feedback [from the community] is used for *future improvements to the [CSR] programmes*' (COMP1, 2015: 147).						

Source: Appendix 2AA

Panel C. Grievance Mechanism Disclosures

No	Grievance Mechanism Disclosures Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	Mechanism established to receive grievances	95	COMP1 (6 reports); COMP2 (11 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (9 reports); COMP7 (5 reports); COMP8 (2 reports); COMP9 (4 reports); COMP10 (10 reports); COMP11 (10 reports); COMP12 (10 reports); COMP14 (10 reports); COMP15 (2 reports).	Mining (40 reports); Automotive (11 reports); Pharmaceutical (6 reports); Banking (19 reports); Agriculture (5 reports); Cement (4 reports); Telecommunications (10 reports).	Award-Winning Companies (26 reports) Non-Award-Winning Companies (69 reports)	Listed Companies (87 reports) Non-Listed Companies (8 reports)	SOEs (33 reports) Non-SOEs (62 reports)
	'The company seeks to resolve all public complaints related to the social and environmental impact of operations through the existing *grievance mechanism.*… Complaint handling is conducted according to standard operating procedures (SOP), as follows: …' (COMP9, 2017: 76).						
2	Total number of grievances received	41	COMP1 (2 reports); COMP2 (6 reports); COMP3 (5 reports); COMP5 (6 reports); COMP7 (1 report); COMP8 (1 report); COMP9 (2 reports); COMP10 (2 reports); COMP12 (10 reports); COMP14 (5 reports); COMP15 (1 report).	Mining (14 reports); Automotive (6 reports); Banking (16 reports); Agriculture (1 report); Cement (2 reports); Telecommunications (2 reports).	Award-Winning Companies (9 reports) Non-Award-Winning Companies (32 reports)	Listed Companies (40 reports) Non-Listed Company (1 report)	SOEs (17 reports) Non-SOEs (24 reports)
	'In the period of this report, *we received seven formal complaints* from customers.… The majority of complaints related to tin content specifications, mismatching product identification numbers on supporting documents, and the provision of packaging that did not accord with the customer specifications' (COMP14, 2009: 66).						
3	Total number of identified grievances addressed or resolved	35	COMP1 (2 reports); COMP2 (6 reports); COMP3 (2 reports); COMP5 (6 reports); COMP7 (1 report); COMP8 (1 report); COMP9 (2 reports); COMP10 (2 reports); COMP12 (9 reports); COMP14 (3 reports); COMP15 (1 report).	Mining (9 reports); Automotive (6 reports); Banking (15 reports); Agriculture (1 report); Cement (2 reports); Telecommunications (2 reports).	Award-Winning Companies (7 reports) Non-Award-Winning Companies (28 reports)	Listed Companies (34 reports) Non-Listed Company (1 report)	SOEs (17 reports) Non-SOEs (18 reports)
	'During 2018, [COMP12] received 641,021 complaints related to banking and credit card services and 629,946 or *98.7 per cent of the complaints were appropriately resolved*' (COMP12, 2018: 57).						

Source: Appendix 2AB

Panel D. Media Used Specifically for Receiving Grievances and Address/Resolve the Identified Grievances

Media for Grievance Mechanism Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Phones/call centres	66	COMP2 (9 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (8 reports); COMP8 (1 report); COMP9 (2 reports); COMP10 (9 reports); COMP11 (10 reports); COMP12 (10 reports); COMP15 (1 report).	Mining (22 reports); Automotive (9 reports); Pharmaceutical (6 reports); Banking (18 reports); Cement (2 reports); Telecommunications (9 reports).	Award-Winning Companies (9 reports) Non-Award-Winning Companies (57 reports)	Listed Companies (59 reports) Non-Listed Companies (7 reports)	SOEs (21 reports) Non-SOEs (45 reports)
Emails	58	COMP2 (10 reports); COMP3 (10 reports); COMP4 (6 reports); COMP5 (6 reports); COMP8 (1 report); COMP9 (2 reports); COMP10 (2 reports); COMP11 (10 reports); COMP12 (8 reports); COMP14 (2 reports); COMP15 (1 report).	Mining (24 reports); Automotive (10 reports); Pharmaceutical (6 reports); Banking (14 reports); Cement (2 reports); Telecommunications (2 reports).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (54 reports)	Listed Companies (51 reports) Non-Listed Companies (7 reports)	SOEs (20 reports) Non-SOEs (38 reports)
Dialogic forums	27	COMP1 (6 reports); COMP5 (2 reports); COMP7 (5 reports); COMP8 (1 report); COMP9 (2 reports); COMP14 (10 reports); COMP15 (1 report).	Mining (18 reports); Banking (2 reports); Agriculture (5 reports); Cement (2 reports).	Award-Winning Companies (16 reports) Non-Award-Winning Companies (11 reports)	Listed Companies (26 reports) Non-Listed Company (1 report)	SOEs (11 reports) Non-SOEs (16 reports)
Letters/PO Box	26	COMP2 (2 reports); COMP3 (10 reports); COMP5 (4 reports); COMP8 (1 report); COMP10 (2 reports); COMP12 (7 reports).	Mining (11 reports); Automotive (2 reports); Banking (11 reports); Telecommunications (2 reports).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (24 reports)	Listed Companies (26 reports)	SOEs (7 reports) Non-SOEs (19 reports)
Surveys	25	COMP1 (2 reports); COMP2 (2 reports); COMP3 (1 report); COMP5 (2 reports); COMP10 (1 report); COMP11 (9 reports); COMP12 (7 reports); COMP15 (1 report).	Mining (13 reports); Automotive (2 reports); Banking (9 reports); Telecommunications (1 report).	Award-Winning Companies (3 reports) Non-Award-Winning Companies (22 reports)	Listed Companies (24 reports) Non-Listed Company (1 report)	SOEs (5 reports) Non-SOEs (20 reports)

Media for Grievance Mechanism Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Social media	20	COMP4 (6 reports); COMP5 (6 reports); COMP9 (2 reports); COMP12 (6 reports).	Pharmaceutical (6 reports); Banking (12 reports); Cement (2 reports).	Non-Award-Winning Companies (20 reports)	Listed Companies (14 reports) Non-Listed Companies (6 reports)	SOEs (8 reports) Non-SOEs (12 reports)
Fax	20	COMP2 (3 reports); COMP4 (6 reports); COMP9 (2 reports); COMP10 (2 reports); COMP12 (7 reports).	Automotive (3 reports); Pharmaceutical (6 reports); Banking (7 reports); Cement (2 reports); Telecommunications (2 reports).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (18 reports)	Listed Companies (14 reports) Non-Listed Companies (6 reports)	SOEs (5 reports) Non-SOEs (15 reports)
Newspapers	11	COMP2 (3 reports); COMP12 (8 reports).	Automotive (3 reports); Banking (8 reports).	Non-Award-Winning Companies (11 reports)	Listed Companies (11 reports)	SOEs (3 reports) Non-SOEs (8 reports)
Complaint forms	7	COMP1 (5 reports); COMP7 (2 reports).	Mining (5 reports); Agriculture (2 reports).	Award-Winning Companies (5 reports) Non-Award-Winning Companies (2 reports)	Listed Companies (7 reports)	SOEs (2 reports) Non-SOEs (5 reports)
Short message service (SMS)	6	COMP2 (3 reports); COMP9 (2 reports); COMP10 (1 report).	Automotive (3 reports); Cement (2 reports); Telecommunications (1 report).	Award-Winning Company (1 report) Non-Award-Winning Companies (5 reports)	Listed Companies (6 reports)	SOEs (5 reports) Non-SOE (1 report)

Source: Appendix 2AC

GRI also suggests companies disclose their grievance mechanisms to remediate any social and environmental impacts, to help *identify negative impacts* and provide information on the effectiveness of the organisations' management approach, as well as how those impacts are *resolved* (see GRI G4-EN34, GRI G4-LA16, GRI G4-HR12 and GRI G4-SO11 in GRI, 2013; see also GRI Standard Disclosure 103-2 in GRI, 2016). By recording the number of grievances in the system or procedure, companies are able to monitor, measure, manage and report them from time to time.

Panel C reveals that 95 sustainability reports disclose grievance mechanisms, of which 41 reports disclose the total number of grievances, while 35 reports disclose the total number of identified grievances that have been addressed or resolved. Panel D shows the media used by companies to receive grievances and resolve them. Phones, including call centres, were the most popular medium (disclosed in 66 reports) followed by emails (disclosed in 58 reports) and dialogic forums (disclosed in 27 reports). Overall, the level of grievance mechanism disclosures in this research is greater than that in a study by Jain and Winner (2016) where nearly two-thirds of the CSR disclosures they were studying did not provide information on the companies' policies on social and environmental grievance mechanisms.

This section presented the way companies deal with the divergent views of their stakeholders. The section reveals the majority of the reports disclose the companies' grievance mechanisms are for reporting social and environmental impacts. The reports also welcome readers to give feedback by either providing contact details or attaching feedback forms. The next section outlines the use of social media.

7.8. THE USE OF SOCIAL MEDIA

AccountAbility (2015) suggests organisations should communicate their engagement with a broad range of stakeholders using a multimedia approach to reporting, including using social media. 'Organisations should integrate the reporting of stakeholder engagement with appropriate other forms of public organisational reporting (e.g., sustainability-related reports, annual or financial reports, website reporting and *social media* reporting)' (p. 32, emphasis added). Following the extensive use of the internet in all aspects of life, the companies being studied have utilised the internet in their sustainability reporting through various social media platforms (Capriotti, 2017). Table 7.14 shows disclosures about the use of social media for reporting corporate sustainability by the companies being studied. Panel A reveals that Twitter and Facebook are the most popular social media platforms (disclosed in 23 sustainability reports respectively) followed by Instagram, YouTube and LinkedIn.

In a similar vein, a study by Lodhia et al. (2020) reveals that Australian companies used Facebook, Twitter and LinkedIn. Meanwhile, Manetti and Bellucci (2016) undertook research on a wider range of social media platforms for sustainability reporting, namely Facebook, Twitter, YouTube, Google+ and Flickr. According to Enli and Skogerbø (2013), Twitter and Facebook can be considered 'as sources and as spaces for debates' (p. 762). Twitter, in particular, is used widely by multinational companies and NGOs for dialogic stakeholder communications limited to 140 characters (Inauen and Schoeneborn, 2014).

Table 7.14
Social Media in Sustainability Reporting

Panel A. Type of Social Media Platforms

Social Media Platforms Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
Twitter	23	COMP1 (3 reports); COMP2 (2 reports); COMP3 (1 report); COMP4 (6 reports); COMP5 (7 reports); COMP10 (1 report); COMP12 (3 reports).	Mining (4 reports); Automotive (2 reports); Pharmaceutical (6 reports); Banking (10 reports); Telecommunications (1 report).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (19 reports)	Listed Companies (17 reports) Non-Listed Companies (6 reports)	SOEs (9 reports) Non-SOEs (14 reports)
Facebook	23	COMP1 (3 reports); COMP2 (2 reports); COMP3 (1 report); COMP4 (6 reports); COMP5 (7 reports); COMP10 (1 report); COMP12 (3 reports).	Mining (4 reports); Automotive (2 reports); Pharmaceutical (6 reports); Banking (10 reports); Telecommunications (1 report).	Award-Winning Companies (4 reports) Non-Award-Winning Companies (19 reports)	Listed Companies (17 reports) Non-Listed Companies (6 reports)	SOEs (9 reports) Non-SOEs (14 reports)
Instagram	11	COMP1 (1 report); COMP2 (2 reports); COMP3 (1 report); COMP4 (2 reports); COMP5 (2 reports); COMP10 (1 report); COMP12 (2 reports).	Mining (2 reports); Automotive (2 reports); Pharmaceutical (2 reports); Banking (4 reports); Telecommunications (1 report).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (9 reports)	Listed Companies (9 reports) Non-Listed Companies (2 reports)	SOEs (4 reports) Non-SOEs (7 reports)

Social Media Platforms Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
YouTube	6	COMP1 (3 reports); COMP2 (2 reports); COMP3 (1 report).	Mining (4 reports); Automotive (2 reports).	Award-Winning Companies (3 reports) Non-Award-Winning Companies (3 reports)	Listed Companies (6 reports)	SOEs (2 reports) Non-SOEs (4 reports)
LinkedIn	2	COMP5 (1 report); COMP12 (1 report).	Banking (2 reports)	Non-Award-Winning Companies (2 reports)	Listed Companies (2 reports)	SOE (1 report) Non-SOE (1 report)

Source: Appendix 2AD

Panel B. The Use of Social Media Platforms

No	The Use of Social Media Platforms Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
1	To become a grievance mechanism	20	COMP4 (6 reports); COMP5 (5 reports); COMP12 (3 reports); COMP14 (6 reports).	Mining (6 reports); Pharmaceutical (6 reports); Banking (8 reports).	Award-Winning Companies (6 reports) Non-Award-Winning Companies (14 reports)	Listed Companies (14 reports) Non-Listed Companies (6 reports)	SOEs (5 reports) Non-SOEs (15 reports)
	‘In managing customer complaints, [COMP5 provides] *complaint channels* via email … and social media Facebook and Twitter’ (COMP5, 2013: 110).						

No	The Use of Social Media Platforms Found in the Dataset	Total Reports	Disclosing Companies (Number of Reports)	Business Sectors (Number of Reports)	ISRA Award-Winning/ Non-Award-Winning Companies (Number of Reports)	Companies Listed/Not Listed on the IDX (Number of Reports)	SOEs/Non-SOEs (Number of Reports)
2	To inform about job vacancies	9	COMP1 (2 reports); COMP4 (5 reports); COMP5 (1 report); COMP12 (1 report).	Mining (2 reports); Pharmaceutical (5 reports); Banking (2 reports).	Award-Winning Companies (2 reports) Non-Award-Winning Companies (7 reports)	Listed Companies (4 reports) Non-Listed Companies (5 reports)	SOE (1 report) Non-SOEs (8 reports)
	'*Job vacancy advertisement* in corporate website and [COMP1's] social media platforms' (COMP1, 2017: 213).						
3	To promote a programme or movement	7	COMP2 (2 reports); COMP5 (2 reports); COMP12 (3 reports).	Automotive (2 reports); Banking (5 reports).	Non-Award-Winning Companies (7 reports)	Listed Companies (7 reports)	SOEs (4 reports) Non-SOEs (3 reports)
	'[COMP2] invites the public to upload a photo or video to Facebook, Twitter, Instagram and YouTube, accompanied by the *hashtag* [name of the hashtag]…. One photo or video will be converted into a *social action*, entailing glasses for Indonesian children … [COMP2] wants to help school-age children through the hashtag' (COMP2, 2014: 124-125).						

Source: Appendix 2AE

Despite the large number of internet users in Indonesia (Statista, 2020), the social media platforms are not largely used to define the sustainability reports' contents. Local communities receiving aid from CSR programmes usually have low literacy rates (Bhinekawati, 2017), which hinders them from participating in the internet-based stakeholder engagement using social media platforms. Panel B shows that 20 sustainability reports disclose that the platforms are used as somewhere to air grievances. It was also found that the platforms are used to advertise job vacancies (found in 9 reports) and promote a company's programme or movement initiative (found in 7 reports). In the study by Manetti and Bellucci (2016), the social media platforms were used to engage with a broad range of stakeholders and define the sustainability reports' contents. Meanwhile, in the study by Lodhia et al. (2020), the social media platforms were used to seek legitimacy from the stakeholders by disseminating sustainability information and promoting dialogue with a wide range of stakeholders.

This section presented the use of social media for sustainability reporting. The section shows that Twitter and Facebook are the most popular social media platforms used by the companies being studied. The use of various social media platforms for sustainability reporting is mostly as a grievance mechanism. The next section summarises the chapter.

7.9. SUMMARY

This chapter discussed the findings from the sustainability reports. A binary disclosure index for stakeholder engagement was developed and content analysis was undertaken on the 120 sustainability reports issued by 15 companies in the reporting period between 2007 and 2018. GRI has become a popular sustainability reporting framework in Indonesia. Although standalone sustainability reporting was voluntary in the period when the research was undertaken, the companies being studied seem to have attempted to adhere to the

GRI indicators on stakeholder engagement by translating the practice into disclosures in their sustainability reports.

The content analysis shows that companies recognised the divergent stakeholder groups. They were identified and selected by using a variety of criteria. However, 25 reports reveal that stakeholder mapping to identify stakeholder groups was not undertaken regularly. The identified stakeholder groups were engaged by various approaches. The disclosed stakeholder engagement approaches fell into classifications with the degrees of tokenism, namely informing and consultation, while scant evidence was found in the form of partnerships as a part of stakeholder empowerment. The partnerships to empower local communities are likely to be related to compliance with a PKBL regulation stipulated by the Ministry for SOEs.

It is evident in this study that the majority of the sustainability reports disclosed sustainability topics arising from stakeholder engagement and stakeholder groups that have concerns about the topics. However, the majority did not disclose the ways in which the companies responded to the topics. The reports disclosing sustainability topics arising from stakeholder engagement show that the topics tended to be more about economic or business-as-usual topics than social and environmental topics.

Even though the companies seem to be aware of the process for defining report content, the disclosures about the implementation of reporting principles for defining the content deviate from the essence of the principles expected by GRI, as the reporting framework. First, stakeholders are not inclusively engaged in defining the report content. Second, the topics included in the sustainability reports narrow into the economic/business-as-usual class. Third, elaborate procedures to determine the material topics in the sustainability reports are not conducted regularly in every reporting period. Fourth, companies seem to be confident that they do not omit relevant information that matters to their external stakeholders from the practice where the internal stakeholders take control of the process for defining report content.

The disconnect between the implementation and the goals of the principles reflects the lack of mutual learning, understanding and commitment to a sustainability context between the companies and the broad range of stakeholders, which potentially leads to the omission of relevant information that matters to the stakeholders.

The content analysis on the way companies deal with divergent stakeholder views reveals that they are open to both positive and negative feedback from the stakeholders. For the negative feedback, it is evident that companies provide grievance mechanisms to receive and resolve stakeholders' concerns about social and environmental impacts. Meanwhile, in response to the wide use of the internet, the sustainability reports being studied also reveal the use of various social media platforms. The content analysis shows that they are mostly utilised as a grievance mechanism.

CHAPTER 8

FINDINGS FROM INTERVIEWS

8.1. OVERVIEW

The purpose of this chapter is to outline the research findings from the interviews. Appendix 3 presents the interview question guidelines whereas Appendix 4 presents the coding manual of the interviews. The interviews show that stakeholder engagement in sustainability reporting is symbolic – where the companies' management take control of the sustainability reporting process, including the inclusion of stakeholders in defining report content and the selection of topics to be included in the sustainability reports.

This chapter is structured as follows. Section 8.2 outlines the findings about sustainability reporting undertaken by the companies being studied. Next, the findings about stakeholder engagement in sustainability reporting are outlined in Section 8.3. Lastly, Section 8.4 summarises the chapter.

8.2. SUSTAINABILITY REPORTING

This section analyses the interview findings with respect to the motivations for reporting, institutional influences, the benefits from reporting and the reporting process.

8.2.1. Motivations for Reporting

The thematic analysis shows that the demand for transparency, top management's awareness and support, and compliance with requirements induce companies to be motivated to conduct sustainability reporting.

8.2.1.1. Demand for Transparency

The vast majority of the interviewees explained that the demand for transparency from various stakeholder groups was their motive for sustainability reporting. These ranged from foreign customers (e.g., acknowledged by the interviewee from COMP4), foreign investors (e.g., acknowledged by the interviewee from COMP1) and the government (e.g., acknowledged by the interviewee from COMP11). The interviewees conflated sustainability reporting with corporate social responsibility (CSR) reporting and used these terms interchangeably. They believed that the standalone sustainability reports could address the drawback of annual reports that could not accommodate the wider CSR issues. However, in responding to the demand for transparency, the information included in the sustainability reports was filtered by the companies' management. This filtering of information is not compatible with a willingness to promote transparency. From the perspective of the neo-institutional theory, the reporting practice is symbolic because the stakeholders' demand for transparency is responded to by filtering information to be included in the companies' sustainability reports – which is likely to present only favourable information but disregard the one that harms the companies' reputation (Böhling et at., 2019).

The interviewee from COMP4, for instance, mentioned that transparency was highly appreciated by the company's foreign customers. As a global company, COMP4 promoted transparency by exposing its corporate social and environmental performance and activities to scrutiny. Despite the willingness to promote transparency, the interviewee acknowledged a dilemma: 'On the one hand it is about transparency issues because we are a global company but there is *some information that needs to be filtered* … the [report] theme is *discussed internally*, including the report design and key messages'. The company directors issued a decree to provide guidance about which information could be published. In a similar vein, contradictory statements were found in the interview with the representative from

COMP8. On the one hand the company wanted to promote transparency but on the other hand the company filtered the results of its stakeholder engagement that were to be disclosed in the company's sustainability report. The decision about which issues were to be included in the report was at the discretion of the company's management.

A study by Higgins et al. (2020) on the transparency of sustainability reports issued by three Australian financial institutions suggests that 'a transparent sustainability report must provide *sufficient detail* to allow stakeholders *to understand* an organisation's *impacts* and the *challenges* that management face in running the organisation' (p. 399, emphasis added). Following this reasoning, for this research, the way the companies prepared their sustainability reports is unlikely to meet the information needs of the stakeholders, because the sustainability issues that matter to the stakeholders are filtered out internally at the discretion of top management. The information filtration is seemingly an edict to control the companies' messages which damages the spirit of promoting transparency. The key messages delivered through sustainability reports in that way are likely to demonstrate what the companies want the stakeholders to know about them, instead of disseminating the companies' social and environmental impacts and responsibilities, as expected by the stakeholders (see Roberts, 2003; Romero et al., 2019).

According to the discussion above, the term sustainability reporting was seemingly understood as reporting the wider CSR issues. The terms 'CSR' and 'sustainability' were used interchangeably in the interviews. The finding is similar to Amran and Haniffa (2011) that Malaysian companies in their study used these two terms interchangeably. A study of BETA (a fictional name of an Italian company) by Contrafatto (2014) also used the term 'sustainability' and 'social and environmental' interchangeably. Sustainability reporting needs to be understood, in a more comprehensive way, as a process that allows companies to set their sustainability goals, measure their performances as well as manage and reported economic,

social and environmental changes resulting from the companies' operations (see AccountAbility, 2018; Bebbington et al., 2019; GRI, 2013, 2016; Leach et al., 2018).

Slightly more than a half of the interviewees acknowledged that the issuance of standalone sustainability reports was better than combining them with the annual reports in responding to the demand for transparency by reporting CSR/corporate sustainability. For example, the interviewee from COMP10 argued that the company could not report its CSR activities in more detail in its annual report but did so in its sustainability report. In a similar vein, the interviewee from COMP11 argued that 'a standalone [sustainability report] would have *a greater focus* and provide *more in-depth discussion* regarding our *CSR programmes*.... That would provide more information to stakeholders about sustainability issues and the *company's activities*'. The interviewee from COMP1 also mentioned that the company's sustainability reports included a wider range of CSR issues and initiatives than those in its annual reports. The interviewee explained,

> Regarding the reason why we prepare sustainability reports, it is because we consider *the annual report cannot accommodate* or deliver information on our social, environmental and economic performances so far. If we compare between AR [annual reports] and SR [sustainability reports], the AR tend to be more about production, performance, sales, accounting numbers and so on, while *aspects about how we manage our relationship with society, how we manage our environment, are not yet captured*, so we include them in the SR.

These opinions are in line with Lozano and Huisingh (2011) who compare the sustainability section in the annual reports with standalone sustainability reports. They report that the social dimension in the sustainability section of the annual reports, states, '… related to the internal stakeholders, especially to social, cultural and sports activities in the company's recreational club' (p. 103). In contrast, the social dimension included in the sustainability reports reveals more comprehensive and detailed information for a broader range of stakeholders, such as 'health and safety, employee diversity, employee development and

training and community engagement' (p. 104). In a similar vein, Fasan (2013) posits that the interested users of annual reports are typically shareholders and investors, whereas sustainability reports have a wider audience as the scope of the information is broader than in financial reporting.

8.2.1.2. Top Management's Awareness and Support

About three quarters of the interviewees acknowledged top management's awareness and support as being the companies' motivation for sustainability reporting. However, there was some disagreement in so far as some of them acknowledged the full support from the companies' boards of directors (BoD), whereas a small number admitted a lack of support from BoDs. Among the interviewees acknowledging the BoD's full support, the awareness of sustainability reporting came from either the BoD themselves or another management team member below the BoD who advocated to the BoD to gain their support. For companies with a lack of BoD's support, they issued their sustainability reports with the support from a lower level of the companies' management team but silo mentality was evident.

The interviewee from COMP8, for example, explained that the initiative for sustainability reporting initially came from the corporate secretary in 2013. The corporate secretary asked for support from the company's BoD and their full support for the reporting was given. The corporate secretary, an internal stakeholder, played an important advocacy role in raising the awareness and support of the company's BoD. 'Advocacy involves mobilising social actors to support a new practice through persuasion' (Farooq and de Villiers, 2019: 1245). In a study by O'Dwyer et al. (2005), non-government organisations (NGOs), which were external stakeholder groups, advocated in favour of sustainability reporting to companies in Ireland. In COMP8, the corporate secretary's awareness of corporate sustainability was triggered by the company's attempts to follow the ASEAN CG (the Association of Southeast

Asian Nations' Corporate Governance) scorecard[11]. The interviewee stated that one of the milestones in improving the GCG [good corporate governance] score was by issuing a sustainability report. Seen through the neo-institutional theory lens, the interviewee's explanation is reflective of symbolic reporting to achieve an external milestone marker – where 'the concern expressed is not for the other but for how the other sees the corporation' (Roberts, 2003: 256).

Unlike COMP8, the interviewee from COMP3 asserted that the company's voluntary sustainability reporting was due to an initiative by top management. The interviewee said that there was awareness on the part of the BoD that the company, which operated in the coal mining industry, was sensitive to environmental issues. Mining has been classified as an environmentally sensitive industry in previous studies (e.g., Aerts and Cormier, 2009; Cho and Patten, 2007; Radhouane et al., 2020). A study by Novianti et al. (2018: 4057) has found that the coal overburden (i.e., the ecosystem lying above an area where the coal is being mined) in a tropical climate like Indonesia 'has severe nutrient deficiencies and high concentrations of some toxic elements, [which are] two common constraints in ecological restoration'. Operating in an environmentally sensitive industry induced COMP3 to report its CSR activities in its standalone sustainability report. Siano et al. (2017) suggest that rather than reporting 'doing good', companies operating in an environmentally sensitive industry like COMP3 should talk more about 'avoiding bad'. 'Doing good' in a voluntary reporting context is prone to be symbolic with self-reporting bias (Dawkins, 2014; Johnson et al., 2018; Roberts, 2003) whereas 'avoiding bad' is more associated with authentic commitment to sustainability since the company acknowledges potential problems and takes actions to avoid them (Corsi and Arru, 2021).

[11] It is a benchmark introduced by the ASEAN Capital Market Forum to assess corporate governance practices of ASEAN publicly listed companies.

Unlike COMP3 and COMP8 discussed above, where full support was received from the companies' BoDs, the interviewee from COMP10 admitted that the awareness and support came from the company's management below the BoD. COMP10 is a state-owned enterprise (SOEs) in telecommunications industry – which is not classified as an environmentally sensitive industry (see Aerts and Cormier, 2009; Cho and Patten, 2007; Radhouane et al., 2020). A study by Apriliyanti and Kristiansen (2019) reveals that the appointment of SOEs' directors in Indonesia is 'subject to selection procedures that do not mainly emphasise professional competence or merit' (p. 720). They are 'selected from among top government officials, political party members and the President's supporters' (p. 716) (i.e., 'the inner circle of power holders' – see p. 723). The interviewee of COMP10 acknowledged that there was a lack of understanding about the importance of sustainability reporting among the management team. The interviewee expected the BoD's support in the management process to create sustainability reporting but their support was not given. The institutional background described by COMP10 supports a study by Thoradeniya et al. (2021: 10, emphasis added) that highlights the possible reasons for the lack of collective supports from top management:

> … *poor* SR [sustainability reporting] *knowledge and skills* underpin the lack of top management support ... Another reason for the lack of top management support was the concern about the business viability, which was perceived to require pursuing the traditional paradigm of focusing on financial results; social responsibility and *SR were regarded as 'niceties'* rather than core elements to the business.

The interviewee from COMP10 – who was an AVP (assistant vice president) responsible for reporting and compliance – initiated the company's voluntary sustainability report with support from a VP (vice president) in a different area (i.e., community development centre or CDC) – despite the lack of collective support from the company's top management, especially from the BoD. 'The leadership team plays a key role in supporting the practice, removing any internal resistance towards participating in sustainability reporting and

ultimately approving the allocation of time and money' (Farooq et al., 2018: 340). Domingues et al. (2017) posit that 'a lack of suitable support from managers and leaders could jeopardise the sustainability reporting process' (p. 300). The interviewee from COMP10 acknowledged,

> If you have read our SR [sustainability report], you might believe that we have been doing good. [Information about] our CSR is there, our contributions to the country are there. We show numbers. However, *where we are going with this SR remains unclear*…. We really expect that our top management would be aware of sustainability reporting…. *We don't feel that our BoD supports us*. We expect their feedback; we want to be challenged, but no, never. We need their suggestions on how to prepare and what our SR should be like…. We don't have a roadmap as a guide to what we would do in the following years. Consequently, *every division may work without certain direction*. The CDC has its own programmes, others have their own, they are not synchronised.

Amidst this lack of awareness of and support on the part of BoDs for the company's sustainability reporting, there is an expression reflecting silo mentality, where 'one department would focus on associated goals only' (Diehl and Knauß, 2018: 116). A study by Diehl and Knauß (2018) found that the silo mentality in Stuttgart Airport's sustainability reporting was indicated by a situation where 'the human resources department was in charge of social issues, the environmental department for ecological issues, and the profit centers for economic aspects' (p. 116). In a similar vein, the silo mentality in COMP10 is reflected by the company's CSR (i.e., PKBL – *Program Kemitraan dan Bina Lingkungan* or the Partnership and Community Development Programme) not being viewed as the responsibility of the company as a whole but only the CDC's. In spite of the fact that the CDC received support from the VP, the interviewee voiced discontent with the CDC. The interviewee stated,

> I see that *CDC is keen to support our SR [sustainability reporting] because CSR is its main job*…. Also, because they have to comply with a regulation from the Ministry of State-Owned Enterprises about PKBL…. Yes, they are very keen about the PKBL, they cooperate with us for reporting their CSR. If the report is ready, they are happy.

The expression of discontent by the interviewee from COMP10 indicates fragmental responsibilities across departments – which therefore does not stimulate collaboration as a solid team in the company's sustainability reporting. This situation deviates from one of the company's cultures described on its website, i.e., 'solid team'. The silo mentality is clearly not an inherent feature of the corporate culture nor a tone imposed from the top. Nevertheless, the 'mindset and willpower' of the top management 'interweave with organisational culture… and hence, [they] foster an organisational environment in which managers are more likely to mobilise employee support' (Thoradeniya et al., 2021: 14). From this standpoint, BoD's awareness and support have the potential to mitigate the silo mentality. The silo mentality in COMP10 is in contrast to the research finding in a study by Farooq and de Villiers (2019) where the awareness of sustainability reporting has shifted from being the responsibility of a separate sustainability reporting manager to 'an implied part of [all] managers' responsibilities and job descriptions' (p, 1251).

8.2.1.3. Compliance with Requirements

More than a half of the interviewees stated their motivation for sustainability reporting was related to compliance with mandatory CSR/sustainability reporting requirements. In the interviews, they asserted that their compliance went beyond the regulatory requirements. For instance, the interviewee from COMP7 explained that the company sought to go beyond compliance with Indonesia's Corporation Law No. 40 of 2007. By going beyond compliance, according to Prakash (2001), 'there is a specific intent to exceed the requirements of the extant laws' (p. 287). In this regard, COMP7 voluntarily issued standalone sustainability reports, even though the regulation only required a CSR section be included in the annual reports. Likewise, the interviewee from COMP12 asserted that the company had gone beyond compliance by preparing its 2017 sustainability report based on POJK 51/2017, even though

the regulation would effectively not come into effect until 2019. Nevertheless, Vogel (2005) suggests 'corporate responsibility should be about *more than going beyond compliance*' (p. 171, emphasis added) in the sense that 'corporations have accepted greater responsibility for the environmental impact of what they produce, purchase, and sell' (p. 111).

Indeed, relevant to this assertation, the interviewee from COMP13 reported that the company's motivation for sustainability reporting was *more about going beyond compliance*, i.e., the company wanted to *let society know what the company had done*. In a similar vein, the interviewee from COMP2 asserted that the motivation was *to document the company's activities*. The reasons for going beyond compliance – by letting stakeholders know what the company has done and documenting the company's activities – are associated with an attempt to demonstrate that companies have done many things for society, by exceeding the requirements imposed on them through the regulations.

Compliance in the interview findings was not only about regulatory compliance, but also compliance with corporate reporting award requirements. Slightly less than a half of the interviewees admitted that their companies were motivated for sustainability reporting to be able to participate in corporate reporting award events. For example, the interviewee from COMP10 initiated the company's participation in reporting awards events (both the Annual Report Awards or ARA and Indonesia Sustainability Reporting Award or ISRA) – despite the lack of support from the company's BoD as discussed earlier. Even though the object of assessment by the ARA is the annual reports, the interviewee reported that an additional five points are awarded for including corporate social and environmental disclosures in standalone sustainability reports. In addition to the ARA, the company also participates in the ISRA which judges companies' standalone sustainability reports.

There was an internal tension underlying COMP10's compliance with the reporting awards' requirements – in the sense that the company's BoD was divorced from sustainability reporting due to their lack of support. The interviewee explained,

> In my opinion, participating in the award events is not only about who wins and what the prize is, but it is also our opportunity to learn, to improve, to conduct benchmarking and build networks.... [Unfortunately,] *top management only asks whether we win* [the reporting award] or not, [but they] never train, supervise or support us.

From the perspective of the neo-institutional theory, this expression indicates that the company's top management viewed sustainability reporting and the award events as a reputation façade that deals with the company's image (Cho et al., 2015) but paid less attention to the managed process that could bring about change towards more sustainable business.

Consistent with what was reported by COMP10, the interviewee from COMP14 mentioned that the chance to win an award in the ARA was higher when social and environmental disclosures were included in a standalone sustainability report. The interviewee acknowledged,

> If we expect to win a reporting award [at the ARA], we will have to prepare a standalone sustainability report…. Every company needs to show *a good image* and that is our important capital. If we won at the ARA, investors would trust us more and that would affect our share price positively.

A study by Kaur and Lodhia (2016) reveals that an Australian local council showed its keenness to undertake sustainability reporting in the hope of winning awards. Winning CSR/sustainability awards is associated with the best reporting practices and quality sustainability reporting (see Amran and Haniffa, 2011; O'Dwyer and Owen, 2005).

Abeydeera et al. (2016) highlight the fact that corporate reporting awards should be viewed as 'a forum for the establishment of norms about expected behaviour in corporate sustainability reporting, including the adoption of the GRI [Global Reporting Initiative] framework' (pp. 497-498). A study by Thoradeniya et al. (2021: 12, emphasis added)

concluded that various corporate reporting award schemes were ‘a means to bring [sustainability reporting] into the mainstream. These awards were viewed favourably because they not only offered companies the opportunity *to gain public recognition*, but also provided a mechanism *to foster learning, sustainability education, and continuous improvement*’. The motivation for engage in sustainability reporting in order to win awards indicates that the awards could be utilised as a public recognition to enhance the credibility of sustainability reports with the management’s vested self-interest (Cho et al., 2015). Nevertheless, a study by Xiao and Sheiler (2021: 2) found that an external recognition from winning reporting awards has ‘relatively little impact on reporting credibility perceptions’.

The motivation for sustainability reporting was also in the form of being compliant with training course requirements. The vast majority of the interviewees acknowledged that they attended the GRI-based sustainability reporting training courses held by NCSR (National Center for Sustainability Reporting). Adhariani and du Toit (2020: 622) posit that this organisation has been a pioneer in introducing sustainability reporting in Indonesia through seminars and training courses. The extant literature suggests that a cognitive belief about initiating sustainability reporting may arise from education and professional networks (AbouAssi and Bies, 2018; Amran and Haniffa, 2011; DiMaggio and Powell, 1983). In its website (NCSR, 2020a), this organisation welcomes both individual and institutional applicants for the GRI-based sustainability reporting training courses. For example, the interviewee from COMP1 stated that the company initially sent four members of staff to learn about the GRI-based sustainability reporting held by the NCSR. Since sending the four, the interviewee added, the company has regularly sent its staff to the NCSR and also invited a speaker from the NCSR to conduct in-house training. In a similar vein, the interviewee from COMP4 attended the same training held by the NCSR in 2013. The interviewee stated that the company has produced sustainability reports annually since then.

The vast majority of the interviewees who mentioned this organisation explained that their companies were encouraged to issue a standalone sustainability report. However, a small number of interviewees expressed a lack of willingness to issue the report consistently after completing the training courses because sustainability reporting was voluntary in Indonesia. For example, the interviewee from COMP15 stated,

> If [COMP15] did not issue a sustainability report annually, [COMP15] would not be blamed. There was no penalty or sanction from the government [for not issuing a standalone sustainability report annually]. The government did not mandate SR [sustainability reporting]… but if later [the government] mandated annual sustainability reporting, we would comply with that requirement.

COMP15 only produced sustainability reports in 2012, 2013 and 2017 in the period of analysis (2007-2018). COMP15's motivation to meet the training requirement does not indicate an authentic willingness to engage in reporting. To be an authentic effort, the reporting needs to be maintained (Khan et al., 2021; Dawkins, 2014).

In a similar vein, the interviewee from COMP6, acknowledged that the issuance of its 2015 sustainability report was due to a training requirement. The interviewee reported that COMP6 was one among 15 small and medium-sized enterprises (SMEs) attending a GRI-based sustainability reporting training course held by the NCSR. The interviewee stated that the training required every participant to produce a standalone sustainability report by the end of the training session in order to pass the training (i.e., it was a must).

COMP6 initiated the sustainability reporting in 2015 but did not continue producing the sustainability report afterwards (i.e., COMP6's sustainability report was only found in 2015 in the period of analysis between 2007 and 2018). The interviewee mentioned the reason for not undertaking sustainability reporting persistently after passing the training course: such reporting was too costly. As Dienes et al. (2016) have suggested, small companies tend to be reluctant to report their practices voluntarily because 'sustainability reporting is

rather uneconomical from a cost/benefit point of view, and there are also concerns about releasing confidential data' (p. 168).

The interviewee from COMP6 argued that communicating sustainability externally was not relevant for small companies. Instead, the company's daily engagement with its stakeholders was deemed more effective for communicating the company's awareness of social and environmental issues to the stakeholders. Thoradeniya et al. (2015) believe that, when the reporting is voluntary, small companies are less aware of sustainability reporting than their large counterparts. This is in line with a study by Baumann-Pauly et al. (2013: 701) in that,

> SMEs tend to have informal reporting mechanisms, done on the basis of face-to-face interactions with the stakeholders, rather than formal written accounts such as annual corporate responsibility reports…. Thus, meeting the increasingly demanding formal reporting requirements for CSR is difficult for small firms.

This subsection outlined three motivations for reporting corporate sustainability. The demand for transparency, top management's awareness and support, and compliance with requirements engendered companies to undertake sustainability reporting. However, the motivation for voluntary sustainability reporting in Indonesia was likely to reflect what the management want their stakeholders to know about the companies' wider CSR issues, instead of delivering information on the companies' impacts and responsibilities, as expected by the stakeholders.

8.2.2. Institutional Influences

Thematic analysis reveals that institutional influences, namely normative, mimetic and coercive influences drive sustainability reporting in Indonesia.

8.2.2.1. Normative Influence

The vast majority of the interviewees acknowledged that the GRI has provided guidance about what aspects of sustainability to report. The normative nature of the GRI is marked by the frequently-used word 'should' in the guidelines (De Villiers and Alexander, 2014: 201). For example, in the GRI G4 Implementation Manual (GRI, 2013: 8, emphasis added), the normative tone is shown by the sentence, 'The principles for defining report content *guide* decisions to identify what content the report *should* cover by considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders'. Further, GRI (2016) explains that the word 'should' in the GRI Standards means 'recommendation', i.e., the GRI encourages but not requires a course of action. 'Recommendations [are] … cases where a particular course of action is *encouraged, but not required*. In the text, *the word 'should' indicates a recommendation*' (p. 5, emphasis added).

The vast majority of the interviewees acknowledged that they were familiar with the GRI from the training courses provided by the NCSR – as discussed earlier. The interviewee from COMP2, for example, admitted that before knowing the GRI from the training, the company issued CSR reports without any guidance and had no clue about what aspects of CSR to report. The company started to fine-tune its CSR reporting after knowing the GRI. In a similar vein, the interviewee from COMP4 acknowledged that, after knowing the GRI from the training, the company started to issue sustainability reports with better structures like those prepared by foreign companies. The findings are in line with the study by Contrafatto (2014) in that 'The practices of SER [social and environmental reporting] undertaken by BETA [i.e., a fictional name of the company being studied] were influenced by *normative* pressures… exerted by the standards and *guidelines* (e.g., the GRI) issued by *professional bodies*' (p. 424, emphasis added). The prescriptive dimension of sustainability reporting can emanate from professionalisation through education (see AbouAssi and Bies, 2018; DiMaggio and Powell,

1983). Amran and Haniffa (2011: 147) state that 'professional training institutions are important centres for the development of organisational norms'. The early development of the neo-institutional theory highlights the conformity response to the GRI guidelines as they provide normative aspects of what ought to be disclosed, which influence companies' sustainability reporting (De Villiers and Alexander, 2014).

8.2.2.2. Mimetic Influence

About half of the interviewees acknowledged that their companies attempted to find examples of sustainability reports issued by other companies when they undertook sustainability reporting. The interviewees admitted that their companies hired sustainability reporting consultants, known as copywriters, to help them seek sustainability reports as their role models. In seeking role models, the copywriter hired by COMP8 assisted the company to set benchmarks in terms of the company's peers. In a similar vein, the interviewee from COMP4 acknowledged that the company followed sustainability reports produced by pharmaceutical companies in Indonesia and overseas on the recommendation of the hired copywriter. Likewise, the interviewee from COMP2 stated that the company, with the help of the hired copywriter, sought inspiration for a model or combination of models of sustainability reports from companies abroad, especially from Singapore and the United Kingdom. The hired copywriter helped the company collect data to meet the GRI indicators and mimic the modelled sustainability reports – including the design, layout, paper type, colour.

Rather than mimicking the peers' sustainability reporting (the process), the companies mimicked their peers' sustainability reports (the output). Mimicking the output had the consequence that the GRI indicators were perceived as *technical prescriptions* about what to disclose in the companies' sustainability reports (see Grushina, 2017; Pache and Santos, 2010, 2013). '*The most important thing is that we have disclosed the required [GRI]*

indicators', the interviewee from COMP5 expressed. Being perceived as technical prescriptions, the companies tend to focus on data administration to meet the GRI indicators while not taking the opportunity to embed it into their strategies, governance and operations that bring about change (AccountAbility, 2015; Bellucci and Manetti, 2019). The companies, assisted by the hired copywriters, undertook box ticking exercises to meet the GRI indicators on what their perceived successful peers disclosed – reflecting the symbolic reporting (Dawkins, 2014; Johnson et al., 2018; Roberts, 2003). Seen through the neo-institutional theory lens, the symbolic reporting reflects the non-conformity response to the GRI guidelines in the sense that the companies pay attention more to the 'check-list' activity to meet the GRI indicators than bringing the organisational and societal changes from their sustainability reporting (Schons and Steinmeier, 2016).

Goswami and Lodhia (2014) believe that the box-ticking exercise is a consequence of the GRI being a reporting framework where a reporting organisation might be able to meet a GRI indicator while another reporting organisation might not be able to meet the same indicator. For example, the interviewee from COMP9 admitted that the company could not provide disclosures about the remuneration received by each director [i.e., the GRI Indicator G4-51] as presented in the company's modelled sustainability reports. Instead, the company only presented the total amount of directors' remuneration. Likewise, in mimicking the company's modelled sustainability reports, the interviewee from COMP1 stated,

> We admit that *not all GRI indicators can be met*. There are some which are not applicable to our industry or company. For example, about biodiversity, we do and have done this, but GRI requires data about how many hectares have been monitored for biodiversity [i.e., the GRI Indicators G4-EN11 to G4-EN14], this point is missing *but we would try to meet it*.

'Corporate boards or executives that are uncertain about the appropriate responses to pressures regarding their activities, environmental or otherwise, may mimic or benchmark

other firms, particularly those perceived to be more legitimate and/or successful' (Aerts et al., 2006: 305). The mimicking process has been called modelling by DiMaggio and Powell (1983). A company may be unaware that its sustainability reporting practices are being modelled by another company and thus it becomes a role model that is spread out 'unintentionally and indirectly by *consulting firms*' (see DiMaggio and Powell, 1983: 151, emphasis added).

8.2.2.3. Coercive Influence

About half of the interviewees acknowledged that their companies' foreign stakeholders exerted coercive influences towards the issuance of standalone sustainability reports. They demanded more sustainable business practices and transparency through the reporting – as discussed earlier. For example, the interviewee from COMP4 stated that the company's foreign customers demanded internationally accepted standards of production for the company's pharmaceutical products selling to the overseas market. The interviewee from COMP10 pointed out that foreign investors paid greater attention to the environmental impacts of running businesses than domestic investors in the telecommunications sector.

The interviewee from COMP7 also acknowledged that foreign investors were concerned about social and environmental aspects in the palm oil industry. They expected the company to follow palm oil production and supply chain standards, avoid causing harm to society and the environment by complying with the Roundtable on Sustainable Palm Oil (RSPO) certification standards. If COMP7 were unable to meet the RSPO certification standards, the company would lose the opportunity to export the commodity. Companies that have successfully passed the RSPO certification assessment can attach the RSPO trademark to their products and display it on their corporate websites and other publicity, including sustainability reports (see RSPO, 2017). Despite being voluntary, RSPO certification has a coercive influence by obliging Indonesia's palm oil industry to be aware of its social and

environmental impacts, especially when they want to penetrate developed Western markets (Rist et al., 2010).

The findings indicate that companies took into consideration the pressures of globalisation, a phenomenon that meant the companies being studied were engaged in overseas markets. Consequently, 'moral values that were taken for granted in the home market may get questioned as soon as corporations enter foreign markets' (Crane et al., 2019: 20). From the perspective of the neo-institutional theory, coercive pressures on sustainability reporting 'control and constrain organisational behaviours by imposing sanctions and other penalties for non-compliance' (Parsa et al., 2021: 41). The non-conformity response to the foreign stakeholders' coercive pressures has the consequence of not being able to enter the global markets.

Concerning the domestic stakeholder groups that were probably exerting coercive influences, the interviewee from COMP4 explained it in a pessimistic tone: 'Well, not all stakeholders in Indonesia are aware of or understand sustainability'. Yet, two interviewees pointed out that the Government of Indonesia exerted coercive influences on sustainability reporting. '[The government] monitors how we implement our [CSR] programmes', said the interviewee from COMP14. Likewise, the interviewee from COMP2 stated,

> … of course, because the government want to have updates about what we have done…. For example, the Ministry of Education wants to have an update about our CSR in the field of education, how big our contribution is to Indonesia's education sector. We routinely deliver our reports to that ministry.

Having asked for clarification about the government's coercive influences, what the two interviewees were referring to were the mandatory CSR reports submitted to government authorities and not the sustainability reports being issued voluntarily to a broader audience. The interviewees clarified that the government did not demand that companies issue sustainability reports. The voluntary reporting was meant to inform a broader audience of what

the companies had done by documenting their extended corporate responsibilities. From this standpoint, sustainability reports were perceived as being identical to, and often mixed up with, CSR reports – as discussed earlier.

All interviewees from state-owned enterprises (SOEs) in the mining sector (five in total) acknowledged that there were multiple CSR regulations that exerted coercive influences for sustainability reporting. The interviewee from COMP14, for instance, mentioned that the company must submit multiple CSR reports to different ministries. As a state-owned enterprise, COMP14 must submit a report on its implementation of the mandatory CSR programmes for SOEs to the Ministry of SOEs known as PKBL[12]. As a mining company, it must also submit another report on its compliance with the mandatory CSR programmes for mining companies known as P3M (*Program Pengembangan dan Pemberdayaan Masyarakat* or the Community Development and Empowerment Programme) to the Ministry of Energy and Mineral Resources (EMR)[13]. In response to the regulatory requirements of PKBL and P3M, the interviewee from COMP14 acknowledged that the company did not only submit PKBL and P3M reports to the corresponding government authorities, but it also voluntarily compiled them in a standalone sustainability report for public issuance. The interviewee explained, 'The company [voluntarily] prepares sustainability reports while bearing in mind that we may

[12]Regulation of the Minister of SOEs No. PER-02/MBU/7/2017 on PKBL requires SOEs to allocate a maximum of four per cent of their after-tax profit for the purpose of providing financial assistance to SMEs and offering partnership with local communities to help the country achieve the United Nations' Sustainable Development Goals (SDGs). The regulation requires SOEs to engage with relevant stakeholders and report their PKBL realisations annually to the Ministry of SOEs. As PKBL involves money that companies must spend, the reporting about such a programme to the ministry provides accountability for the use of that money. Management remuneration would be impacted in the case of the late or no submission of the PKBL report.

[13]Minister of EMR Decree No. 1824 K/30/MEM/2018 on P3M requires mining companies to plan and deliver various CSR programmes up to the mining closure stage covering three layers of communities (high-, moderate- and low-impacted communities). The decree requires mining companies to engage with relevant stakeholders in their CSR programmes. An obligation to report P3M is found in the Regulation of Minister of EMR No. 41 of 2016 concerning P3M in Mineral and Coal Mining. The regulation forces companies to report semi-annually the realisation of P3M to the minister and local government (the governor, mayor or regent of the area where mining sites are located). There are sanctions with respect to non-compliance with the obligation to report, namely written warnings, the temporary suspension of part or all of the exploration activities or production operations and cancellation of the mining licences.

produce more comprehensive documentation so that the community is informed about what the company has done'.

Other interviewees from SOEs in the mining sector (COMP1, COMP3, COMP11 and COMP13) expressed similar opinions in that the reporting of mandatory CSR programmes imposed by ministerial regulations were partial and to some extent overlapping (particularly for the community development programmes between PKBL and P3M). Beyond their compliance to PKBL and P3M regulations, the interviewees stated that they voluntarily disseminated information on the wider CSR issues to a broader range of stakeholders through the issuance of standalone sustainability reports. However, when companies filtered internally the information to be disclosed in the sustainability report (as reported in Subsection 8.2.1.1), the dissemination of such information would reflect the companies' expectation to be perceived as responsible companies rather than the need to inform stakeholders about the companies' actual impacts and responsibilities, as expected by the stakeholders (Dawkins, 2014; Johnson et al., 2018; Roberts, 2003).

The vast majority of the interviewees acknowledged that mandatory sustainability reporting started to be implemented in 2019 under POJK 51/2017 on sustainable finance. Under POJK 51/2017, companies are allowed to include their corporate sustainability information in their annual reports or separate it into a standalone sustainability report. The existing regulations prior to the implementation date of POJK 51/2017 emphasised mandatory CSR programmes with an obligation to report the realisation of CSR programmes to the government authorities. The names of such reports varied, depending on the names of the CSR programmes required by different government authorities (e.g., PKBL and P3M as outlined earlier). In the meantime, POJK 51/2017 uses the terminology of sustainability reporting instead of CSR reporting. The regulation demands companies report on broader topics of corporate sustainability rather than just their CSR programmes dedicated to serving a wider audience.

Sustainability reporting in Indonesia prior to the implementation date of POJK 51/2017 was voluntary for the report preparers being studied.

This subsection outlined the institutional influences for sustainability reporting. The interview findings show that the normative influence came from the GRI-based sustainability reporting training. It is also evident that companies mimicked their peers' sustainability reports, assisted by their consultants. Meanwhile, coercive influences came from Indonesian government authorities who issued regulations on mandatory CSR programmes and foreign stakeholders who demanded more sustainable business processes.

8.2.3. Reporting Benefits

The vast majority of the interviewees acknowledged that the direct financial benefits from sustainability reporting were difficult to measure. Therefore, they could not be determined with any certainty. The findings contradict a study by Matsumura et al. (2014) that found financial benefits from the non-financial reporting. In their study, the median of firm value for S&P 500 companies disclosing carbon emissions was $2.3 billion higher than that of non-disclosing companies over the period from 2006 to 2008.

Yet, the vast majority of interviewees acknowledged that sustainability reporting enhanced their corporate reputation. The interviewee from COMP1 claimed that the company has *received privileges* from being known as *a good company* due to its post-mining (CSR) programmes. In a similar vein, COMP12, operating in the banking sector, enjoyed benefits from sustainability reporting in the form of *a positive image* and networking arising from its stakeholder engagement with regard to sustainable financing. The interviewees from COMP3 and COMP5 also acknowledged that their companies' reputation was enhanced from being known as *responsible companies* in mining and banking sectors respectively. The findings about the reputational benefit are in line with Pérez (2015) who conducted a longitudinal study

of 77 papers between 1992 and 2014 and found that an improved corporate reputation is a clear outcome of CSR reporting.

The interviewee from COMP8 shared how the company reported unfavourable events that could harm the company's reputation. The interviewee highlighted that the company would not publish any information that might negatively affect the company's operations – i.e., they engaged in filtrating information as discussed earlier. Alternatively, the company would disclose it in a certain way. The interviewee from COMP15 shared how the company took reputational benefits from the company's sustainability reporting. Like COMP8, the interviewee from COMP15 highlighted that sustainability reporting is the art of delivering information, whether the company wants to disclose the issue as it is, or not. 'Negative events and scandals harmed both the credibility and the reputation of the organisations, jolting them into recognition of the need to rethink and to reconstitute their corporate image' (Rossi and Luque-Vílchez, 2021: 973). Seen through the neo-institutional theory lens, picking only 'good news', while disregarding the 'bad news' in the sustainability report, is reflective of symbolic reporting – the non-conformity response to the GRI's completeness principle where the sustainability information should be balanced (Chiba et al., 2018).

The findings are in line with prior studies into reputation risk management (Bebbington et al., 2008). A more recent study by Ardiana (2019) reveals that large Australian companies utilise several rhetorical strategies for their sustainability disclosures in their annual and sustainability reports, in order to preserve their corporate reputations. Among the strategies used, the bolstering strategy was commonly found in the disclosures, which was undertaken by 'strengthening some positive ideas through delivering more positive information about the company, which contradicts the negative events being problematised' (p. 730). The strategy was also found in BP's sustainability report in response to the oil spill incident in the Gulf of Mexico, as reported in a study by Arora and Lodhia (2017).

This subsection outlined the benefits of sustainability reporting. Direct financial benefits were difficult to measure. Non-financial benefit in the form of enhancing corporate reputation was acknowledged by the vast majority of the interviewees. Companies may not publish unfavourable issues, or they may publish them in such a way that they can prevent any further reputational damage.

8.2.4. Reporting Process

The vast majority of the interviewees acknowledged that the companies started preparing their sustainability reports in the fourth quarter and finished the reports in the first quarter of the following year. The interviewee from COMP2, for example, mentioned that the company's sustainability reporting process started by hiring a copywriter (i.e., a sustainability reporting consultant – as discussed earlier) in October or November. Similarly, the interviewee from COMP8 hired a copywriter in October 2017 for sustainability reporting in 2017. Meanwhile, the interviewees from COMP1 and COMP5 explained that the companies' 2017 sustainability reports were completed in March 2018.

The vast majority of the interviewees acknowledged that their companies formed ad hoc sustainability reporting teams based on a decree from the directors. The *ad hoc teams*, comprising of corporate personnel from across functions, were assisted by the hired *copywriters* to *collect the relevant data* required to *write-up the report*. The interviewee from COMP1 acknowledged that the company still needed a consultant due to their wider knowledge of the SR process, even though key personnel had learnt about GRI-based sustainability reporting. Indeed, for some companies, it was not possible to prepare sustainability reports without hiring consultants or copywriters. The interviewee from COMP5 explained,

> We have routines after an annual report and a sustainability report are done. We have to design our CSR programmes, we implement those programmes, we carry out evaluation and monitoring, we have to

> prepare monthly reports, and now we have to do it [i.e., preparing a sustainability report by ourselves]? It's just crazy.

Based on the early development of the neo-institutional theory, Brown et al. (2009) believed that the presence of consultants specialising in preparing GRI-based sustainability reports indicated an institutionalisation of the GRI as a reporting framework.

About a half of the interviewees acknowledged that the reporting process involved 'data collection' with the help of copywriters. The interviewee from COMP15 explained that the consultant's main job was *collecting all the data* from every department where the head of the CSR department was the team leader for the data collection task. The interviewee added that the reporting process involved the integration of the data from all the company's departments from regular meetings with colleagues, including in the materiality assessment for defining report content. The interviewee from COMP5 explained that the company's sustainability reporting process involved coordination through meetings with colleagues across departments and divisions with regard to data collection for the reporting. These findings are consistent with Niemann and Hoppe (2018) that sustainability reporting requires 'intra- and inter-departmental coordination' (p. 207).

The vast majority of interviewees recognised that collecting the data was the most challenging part of initiating voluntary sustainability reporting. With the help of a consultant, the interviewee from COMP3, for example, acknowledged that the required data for sustainability reporting were more organised. This finding is in line with a study by Ismaeel and Zakaria (2020) who found that the collection of data was a challenge at the beginning and consulting firms were accordingly hired, due to the lack of internal capabilities required for sustainability reporting.

This subsection outlined the sustainability reporting process. The process usually starts in the fourth quarter of the year and finishes in the first quarter of the following year.

Copywriters are commonly hired to help the companies' ad hoc sustainability reporting teams collect relevant data for writing up sustainability reports.

8.3. STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING

This section outlines the identified stakeholder groups, the stakeholder engagement methods, the importance of stakeholder engagement in sustainability reporting and dealing with divergent stakeholder views.

8.3.1. The Identified Stakeholder Groups

The vast majority of the interviewees viewed stakeholders as those *who could affect* companies' operations. The missing part from Freeman's (1984) definition of stakeholders is those *who could be affected* by the companies' operations, which reflects the companies' attempts to *map their impacts* and *manage their responsibilities* (Crane and Kazmi, 2010). Only one interviewee from COMP14 viewed stakeholders as those *who can be affected* by the company's operations. The interviewee stated,

> Important stakeholders will be determined by the situation. For example, *if the target for tin ore is now high, the most important stakeholder may be the society surrounding the operational venue* [i.e., the mining site]. Therefore, we should enlarge the realisation of our CSR there; we should do more intensive monitoring to know how we can help…. But, say, *if [the target] is now reduced and employees are worrying [about their employment] then the most important stakeholders are the employees and labour unions*. So, different main stakeholders for different situations.

Among the interviewees who viewed stakeholders as those *who could affect* companies' operations, the interviewee from COMP8, for instance, acknowledged the stakeholders' *influence* was the basis for the stakeholders' identification. Likewise, the interviewee from COMP5 considered everyone who made a *contribution to the company* to be a stakeholder. The stakeholders' contributions and influence seem to be equivalent to those

'who can affect' the company's operations, as defined by Freeman (1984). Among those who could affect the companies' operations, there were some stakeholder groups that demanded sustainability reporting from the companies, such as foreign customers, foreign investors and the government – as discussed earlier.

A small number of interviewees admitted that their companies allowed those who could affect the companies' operations to join in the companies' formal organisational structures. For example, the interviewee from COMP4 explained that the representatives of stakeholder groups were included in the company's organisational structure as independent commissioners. Similarly, the interviewee from COMP15 explained that the company appointed a local community leader who had previously served as a director of the company to sit on the board of commissioners. From this standpoint, the companies seemingly integrated stakeholder engagement into their strategy, governance and operations – as expected by AccountAbility (2015). According to Zeitoun et al. (2014), external stakeholders could be represented on company boards by using random selection procedures, *to protect multiple stakeholders' interests*. However, the appointment of stakeholder group representatives on the boards was utilised as tools *to protect the companies/shareholders' interests*, as admitted by COMP15. In a similar vein, interviewees from COMP2 and COMP9 explicitly stated that the *shareholders' interests were prioritised* among other stakeholder groups since they were the *capital owners*.

Even though the vast majority of interviewees did *not* mention explicitly *who could be affected* by the companies' operations, they nonetheless recognised the companies' responsibilities towards the local communities or society. However, further probing into the matter revealed that the companies attempted to contribute to society through CSR programmes with economic vested self-interest. Operating in the banking sector, the interviewee from

COMP5, for example, asserted that the company had contributed to society in the form of improving its financial literacy and education. The interviewee stated,

> We try to be responsible for creating good quality [CSR] programmes … so the communities we assist can be [financially] independent, with the hope that they can be our customers... From our experience, we had [CSR] programmes in communities which eventually became our customers after the [CSR] programmes ran for seven years.

From this standpoint, the financial literacy and education programmes were not authentically dedicated to the economic and social improvement of the local communities but to COMP5's vested self-interest in the foreseeable future.

Similar to COMP5, the interviewee from COMP3 acknowledged that the company's engagement with the local communities, through a reclamation programme which took place in South Sumatra, ended up improving the local economy. The local communities became the suppliers of fertiliser for the programme and the company enjoyed increased efficiency from empowering the local communities due to reduced transportation costs, compared to having to transport fertiliser from Java. According to the findings, there is an economic or business-as-usual motive that lies behind the companies' CSR initiatives. Consequently, such initiatives are not authentic in the sense that companies are eager to accept the benefits from the responsibility that they attempt to show through their CSR programmes. Mason and Simmons (2014) posit that CSR programmes that are driven by economic self-interest are closely associated with symbolic stakeholder engagement. According to the neo-institutional theory, the symbolic stakeholder engagement is reflective of the non-conformity response to the GRI's *sustainability contex*t principle – in the sense that the stakeholder engagement in the CSR programmes should be covering a wider range of sustainability issues, and so going beyond the economic or business-as-usual motives (Schons and Steinmeier, 2016).

This subsection outlined the stakeholder groups identified by the interviewees. Stakeholders were in part understood to be those *who could affect companies' operations*. A small number of interviewees explained that their companies invited those who could affect the companies' operations to join the companies' board of directors or commissioners. The appointment to sit in the companies' governing bodies was seemingly associated with attempts to protect the companies/shareholders' interests. Meanwhile, the other aspect about *who could be affected by companies' operations* was only mentioned by one interviewee. Otherwise, the interviewees talked more about their companies' contributions to their communities or society, which tended to be driven by economic self-interest.

8.3.2. Stakeholder Engagement Methods

The GRI (2013, 2016) suggests companies undertake a review process of the published sustainability reports by considering stakeholder feedback that can inform and contribute to the identification of material aspects for the next reporting cycle (see also Herremans et al., 2016). About half of the interviewees admitted that their companies provided a feedback form attached to the companies' sustainability reports. However, the interviews reveal that the feedback form was hardly a proactive tool for stakeholder engagement. For instance, the interviewee from COMP8 admitted that the company never received any feedback from its stakeholders who read the report, even though it always attached a feedback form to its sustainability report. Likewise, the interviewee from COMP5 admitted that the company never received any feedback from readers but the company continued to attach a feedback form to its sustainability reports because the GRI suggested doing so. The GRI indicators were perceived as *technical prescriptions* (Grushina, 2017; Pache and Santos, 2010, 2013) about what should be included in the companies' sustainability reports – as discussed earlier. Accordingly, the feedback form remained included in the sustainability reports – despite this

being futile – to symbolically demonstrate the companies' willingness to receive inputs from stakeholders for improvements in the next reporting cycle.

By contrast, at a more active level, the focus group discussion (FGD) was the method mentioned by the vast majority of the interviewees. Hennink (2014) defines an FGD as a method to gather information that 'involves a *focus* on specific issues with a predetermined *group* of people, participating in an *interactive discussion*' (p.1, emphasis added). While the essence of an FGD is to gain a broad range of views from diverse stakeholders (Pyrialakou et al., 2019), it is evident from the interviews that the FGDs were only undertaken internally – which means that they do not reflect stakeholder engagement at all as expected by the sustainability reporting frameworks. The interviewee from COMP1, for example, admitted that material issues to be disclosed in the company's sustainability report were discussed in its *internal* FGD. In a similar vein, the interviewee from COMP2 also acknowledged that the company undertook an *internal* FGD to synchronise CSR programmes across departments, which the company then used to compile sustainability reports and plan future CSR programmes.

Further probing into what was meant by 'internal FGD', the interviewee from COMP1 stated, 'It is a kind of workshop attended by internal employees who are involved in managing environmental, social, wellbeing [aspects].... So, we discuss material issues in that FGD. It has been facilitated several times by a third party, a consultant'. Similarly, the interviewee from COMP2 clarified 'Our internal mechanism involves three divisions: ours [i.e., Environment and Social Responsibility Division], Corporate Communication [Division], and Investor Relations [Division] because we have to synchronise this report [i.e., the sustainability report] with the annual report'. Seen through the lens of the neo-institutional theory, the internal FGDs are reflective of the non-conformity response to the GRI's stakeholder inclusiveness principle where a broader range of stakeholders needs to be engaged

in sustainability reporting (Cooper et al., 2014). The internal FGDs undertaken by the companies being studied contradicted the purpose of an FGD, which is to 'consult stakeholders in a group setting in an attempt to produce shared knowledge' (Pyrialakou et al., 2019: 505). An internal FGD clearly disregards the external stakeholders' views and does not enable a shared understanding of the sustainability issues between companies and their stakeholders (Bellucci et al., 2019; Bellucci and Manetti, 2019).

When asked if it was possible to have an FGD with a broader range of stakeholders, the interviewee from COMP5, for example, replied,

> Well, you seem to think very ideally in preparing a GRI G4 [-based sustainability report]. That kind of thing [i.e., undertaking an FGD with external stakeholders], in my opinion, never happens in Indonesia … I believe that companies, wherever they, are will not, say, invite a number of NGOs for this [i.e., determining material topics].

Further probing into the reasons for not inviting the external stakeholders to the FGD, the interviewee explained,

> You know, we have a number of [business] partners, there are four to five big [business partners] in one [CSR] programme. We *never* invite them to sit and talk together, not because *we dare not do so,* but because the [CSR] programmes are different [in their reporting]; their interests are also different.

Likewise, the interviewee from COMP10 explained that if the company engaged with the external stakeholders in the FGD to define the report content, the company would not be able to realise its willingness to disclose the responsibilities as desired. When the interviewee from COMP3 was asked if the company involved external stakeholders in determining the content of a sustainability report, the interviewee replied, 'No, not so far, because we have our interests in the reporting. I mean, we have an interest in emphasising our strengths [in the report]. *We don't want to have our stakeholders dominating the [reporting] process.* No'. The interviewee from COMP15 drew an analogy about excluding the external

stakeholders when the company was preparing the sustainability report. ‘Just like when we are setting our [corporate] vision and mission [statements], external parties are not involved in the process directly’, said the interviewee.

According to the above findings, there was a segregation, or indeed high degree of scepticism and non-involvement, of the stakeholder groups in preparing CSR programmes and preparing the reports. External stakeholders were engaged in the former while the internal stakeholders took control of the latter, as the reporting was perceived to be located very much in the internal domain of the company. The FGD was not viewed as a stakeholder engagement method that offers an opportunity to foster mutual understanding through dialogic engagement with a broad range of stakeholders (Bellucci et al., 2019; Bellucci and Manetti, 2019). Instead, it was viewed as a constraint to disseminating information on what companies expect stakeholders to see about them (Roberts, 2003; Romero et al., 2019).

The interviewees believed that companies were able to capture stakeholders’ expectations from the internal FGD. ‘[Colleagues in the FGD] bring notes capturing what the stakeholders expect and from those [notes] we discuss what to write [in a sustainability report]. We are aware of regulations, issues in our area, all of these are elaborated further’, said the interviewee from COMP1. In a similar vein, the interviewee from COMP10 asserted, ‘More or less, we have known what [external stakeholders] expect from us in general. Plus, we know about current issues when we are preparing an annual report’. The way companies captured stakeholders’ expectations through an internal FGD reflects a symbolic and non-inclusive stakeholder engagement. In the internal FGD, the management takes control of the process of stakeholder engagement for determining sustainability issues in sustainability reports by not enabling the external stakeholders to convey their views directly in the forum. Such symbolic engagement is closely associated with an attempt to ‘enhance the corporate image, rather than

being truly transparent and accountable' (Owen et al., 2000: 85) to a wide range of stakeholders.

Even though the interviewees acknowledged the internal FGD was a method to determine the topics to be disclosed in a sustainability report, companies did not hold FGDs every time they produced sustainability reports. The interviewee from COMP7, for instance, explained that the FGD was undertaken as part of the materiality assessment process for preparing sustainability reports in 2014 and 2015, but then there were no FGDs in the following years, except for a review and revision of the material assessment previously undertaken. Likewise, the interviewee from COMP10 asserted,

> If [later] there are some specific issues to be disclosed in the SR [sustainability report], for example about new regulations, we can discuss those issues directly with the informants [i.e., colleagues who engage with the government regulations], *not necessarily in a big-group forum* [i.e., the internal FGD].

The findings indicate that the companies demonstrate less elaborate stakeholder engagement methods in the following reporting periods when the circumstances do not change significantly (see Remmer and Gilbert, 2019; Torelli et al., 2020).

More than half of the interviewees also mentioned questionnaire surveys as a method of stakeholder engagement for determining the topics to be disclosed in a sustainability report. Unlike the feedback form, the interviewees explained that they had received responses from the questionnaire surveys. However, the questionnaire surveys were only used to consult with stakeholders, where the decisions on report content were made by the companies' managements. The interviewee from COMP9, for example, admitted, 'We decided to use questionnaires [in 2015]…. The rest [of the sustainability reporting process] was conducted by *using our knowledge*. We *could approximate* the interests of shareholders [and other stakeholder groups]'. Likewise, the interviewee from COMP8 admitted that the company undertook a questionnaire survey with the external stakeholders but the decision about what to

report remained clearly *the decision of company's management*. According to the neo-institutional theory, the practice reflects the non-conformity response to the GRI's stakeholder inclusiveness principle since the report content seems to be at the management's discretion (Aluchna and Roszkowska-Menkes, 2019).

Even though the questionnaire survey was more inclusive than the internal FGD, the internal stakeholders continued to demonstrate greater control over the process for two reasons. First, the list of sustainability topics presented in the questionnaire was determined through the internal FGD. The topic list that was determined in that way excluded important topics from the perspective of the external stakeholders. Second, the external stakeholders – by means of the questionnaire survey – were requested to pick their material concerns based on the topic list prepared by the internal stakeholders. Important topics, as perceived by the external stakeholders, might not have been on the list and they could only choose from among the topics on the list. Consequently, sustainability reports prepared in this way are likely to provide information from the perspective of the report preparers, rather than demonstrating the impacts and responsibilities expected by the stakeholders as the report users (Baker, 2010).

Slightly less than half of the interviewees acknowledged the use of social media platforms as a stakeholder engagement method. The interviewee from COMP2 stated that the company used Facebook, Twitter and Instagram and continuously measured the engagement rate in terms of the number of likes and comments in every post the company made – mostly about the company's products and activities. Meanwhile, the interviewee from COMP10 admitted that the company's social media platforms were not specifically dedicated to sustainability reporting but were mostly used as a mechanism for its customers to air grievances. The interviewee clarified that customers' complaints were usually about disputes over the terms and conditions applied after purchase, signal quality and billing issues. Likewise, the interviewee from COMP15 acknowledged that social media was utilised as a

medium to deliver information about the company's activities. From the findings, the social media platforms were utilised in business-as-usual practices (Dyllick and Muff, 2016) rather than as media to open up a dialogue with stakeholders for defining report content and bring about significant changes to the social and environmental conditions in the area where the company operates (Bellucci and Manetti, 2019; Higgins and Coffey, 2016; Manetti and Bellucci, 2016).

This subsection outlined stakeholder engagement methods. The section shows that companies used, albeit superficially, a variety of stakeholder engagement methods. However, it is evident that the management (the internal stakeholders) took control of the process of determining the sustainability issues to be included in the sustainability reports.

8.3.3. The Importance of Stakeholder Engagement in Sustainability Reporting

Despite the relative paucity of genuine engagement reporting in Subsection 8.3.2, the majority of the interviewees asserted that their companies would continue to undertake stakeholder engagement. However, the companies' stakeholder engagement being referred to by the interviewees was in CSR programmes instead of in defining sustainability report content. Again, as discussed earlier, the interviewees mixed up the terms 'sustainability' and 'CSR' in their interviews. For example, the interviewee from COMP8 stated that stakeholder engagement enabled the company to capture issues to be disclosed in the sustainability report from an internal FGD. The interviewee believed that the companies' interactions with stakeholders in business-as-usual and CSR programmes were sufficient to capture the stakeholders' expectation on what needed to be reported in the company's sustainability report. Being asked if stakeholder engagement could benefit the external stakeholders, the interviewee replied, '[External] stakeholders feel closer to the company. Their queries are responded to,

and there is communication in [CSR engagement]'. In the absence of stakeholder, the interviewee from COMP12 explained the consequences,

> We will certainly be confused when preparing the SR [sustainability report].... Besides, we have *no basis for our [CSR] planning* in the future; hence it has less benefit because *we don't know what society wants*…. If SR is prepared without stakeholder engagement, the report becomes less meaningful. The report will be excessive, and *everything is considered important*, one thousand pages but it is meaningless.

Yet, it is evident in the interviews that the majority of companies undertook stakeholder engagement more inclusively in their CSR programmes than when writing up a sustainability report. The interviewee from COMP13 stated, 'Well, in my opinion, the general public may read [the company's sustainability report], but they perhaps don't really care about the report. They are more concerned about our real [CSR] programmes, our actions out there'. Sustainability reporting was perceived to be in the internal company's domain, so external stakeholders were not necessarily involved in the reporting. The interviewee from COMP11, for example, explained,

> In the practice of our CSR, stakeholder engagement is indeed critical. Especially when we implement ISO 26000, *CSR is designed to be more holistic and involves a wider range of stakeholders* such as employees, labour unions, NGOs, *but not when preparing a sustainability report. Preparing the report is the work of the company's internal ad hoc team*. *For CSR, we engage with a wider range of stakeholder groups*.

There was seemingly a borderline between the external and internal stakeholders' *perceived roles* in sustainability reporting. The former took part in the planning, implementing and controlling stages of CSR programmes, whereas the latter took control of the reporting stage. The interviewee from COMP2, for instance, stated that the company planned and implemented numerous CSR programmes by engaging with the surrounding people (e.g., local communities, local governments). However, they were not involved in preparing the report. Similarly, the interviewee from COMP3 asserted,

> [Sustainability reporting] is about a process for *reporting our sustainability as a corporation*, don't swap it. Stakeholders, for example, the local governments, are involved in *Musrenbang* [i.e., *Musyawarah Perencanaan Pembangunan* or dialogue on development planning] to talk about what we are *planning* next year [with regard to the company's CSR programmes].

In the controlling stage, the interviewee from COMP10, for example, said that the company evaluated and monitored its CSR programmes by conducting a survey of local community members to collect data about the Net Promoter Score (NPS). The results would indicate the number of local community members who perceived the CSR programmes positively. However, the company would not engage with them in preparing the sustainability report.

According to the neo-institutional theory, the segregation of stakeholder groups in CSR programmes and report preparation deviates from the *stakeholder inclusiveness* and *materiality* principles outlined by the GRI (2013, 2016). Companies are supposed to engage with a broad range of stakeholders on an ongoing basis (Grushina, 2017) and inclusively engage with them when determining topics or issues to be included in sustainability reports (Puroila and Mäkelä, 2019). Yet, the interviewees considered their companies' interactions with their external stakeholders for the CSR programmes and in their business-as-usual practices were adequate for capturing the stakeholders' information needs. Besides, the report preparers believed that 'reporting' was an internal process, in which it was not necessary to involve the external stakeholders when preparing the CSR/sustainability reports. Seen through the neo-institutional theory lens, the practice deviates from the *sustainability context* and *completeness* principles outlined by the GRI (2013, 2016). That is because companies are expected to engage with their stakeholders in a wider sustainability context, instead of the business-as-usual practices or CSR with economic self-interest outlined earlier. In addition, the lack of the external stakeholders' reasonable control in sustainability reporting potentially produces incomplete information because the report is prepared by the report preparers, who

are confident of capturing the expectations of external stakeholders, without allowing them to convey their views to define the report content (Boiral and Henri, 2017).

Given the low level of stakeholder engagement in defining report content as discussed earlier, nearly half of the interviewees acknowledged that their companies involved external stakeholders who received the companies' assistance by having their testimonies included in the reports. On being asked for clarification about these testimonies, the interviewees acknowledged that the stakeholders providing testimonies were not paid to say nice things about the CSR programmes. However, the interviewees pointed out that the CSR teams took control of selecting the external stakeholders who provided *testimonies about the success stories of the CSR programmes*. The report preparers (typically members of the ad hoc sustainability reporting team) took control of editing/proofing the testimony statements with the help of their hired sustainability reporting consultants (known as copywriters). From the perspective of the neo-institutional theory, the practice reflects symbolic reporting – the non-conformity response to the GRI's *completeness* principle where the sustainability report should present balanced information between positive and negative issues (Chiba et al., 2018). Since the testimonies are about the success stories of the CSR programmes and 'internally filtered', it is unlikely that there is a negative quote about the CSR programmes presented in the sustainability reports.

The interviewee from COMP14, for instance, explained, 'When we are preparing a sustainability report, we ask the recipients of our assistance to provide their testimonies. We take their pictures, and *we prepare* the narration'. In a similar vein, the interviewee from COMP2 replied,

> Well, technically [external stakeholders] are not involved in writing up the report, but they are involved as our contributors and references. For example, our foundations have empowered communities, so they become our contributors and references to capture. Some of their profiles appeared in our sustainability reports as success profiles.

From this standpoint, external stakeholders were *selectively* chosen and engaged in producing more *convincing* sustainability reports. A sustainability report that is supposedly providing 'a balance and reasonable representation' of corporate sustainable performance (Junior et al., 2014: 3) potentially ends up as a report containing selective information to enhance the corporate reputation. This is because the external stakeholders do not have reasonable control over the material content of the sustainability report, through an assessment by either a questionnaire survey or an FGD, as outlined earlier.

This subsection outlined the importance of stakeholder engagement from the report preparers' perspective. Report preparers conceived of sustainability reporting as being writing up a report on corporate sustainability or CSR. Therefore, companies engaged with their stakeholders more inclusively when planning, implementing and controlling their CSR programmes, but what went into the report was at the discretion of the internal stakeholders.

8.3.4. Dealing with Divergent Stakeholder Views

There was disagreement in that some of the interviewees refused to acknowledge stakeholders' divergent views on corporate sustainability, whereas a small number said they did. Among the interviewees refusing to acknowledge such divergent views, their expressions indicate 'motherhood and apple pie' – i.e., the companies' relationship with stakeholders was regarded as so unquestionably good as to be beyond criticism. The interviewee from COMP12, for example, claimed that the company never found any conflicting interests and it lived in harmony with its stakeholders. In a similar vein, the interviewee from COMP1 believed that the company tried to maintain a good relationship and be open-minded in response to the diverse and competing stakeholder interests. Likewise, the interviewee from COMP4 confidently expressed, 'I have been working here for more than 20 years. The employees' work satisfaction is high and there have been no complaints'. The denial of divergent stakeholder

views along with the inherent tension and conflict contrasts with the opaque nature of sustainability where solutions to a sustainability issue should be of concern to a stakeholder group, but often this results in unintended consequences that can be detrimental to another group (Hahn et al., 2015; Wijen, 2014).

Of the interviewees acknowledging the (inevitable) tensions and conflicts with stakeholders on social and environmental issues, the one from COMP2 explained, 'I see each stakeholder has different intentions. The government wants to enforce its regulations. Society wants its problems solved by requesting this and that. Employees are concerned about their take home pay'. In a similar vein, the interviewee from COMP3 admitted, 'It is quite difficult to engage with [government authorities]… local governments tend not to be willing to spend money, but they want to have their areas developed'. Divergent stakeholders' views with the inherent tensions and conflicts should be identified by the company if it is to be able to manage both sustainability issues and stakeholder relationships. As Hahn et al. (2015: 300) suggested, 'Only once they are identified and understood can tensions then be managed'.

When tensions and conflicts arise, the interviewee from COMP2 stated that the company remained focused on how it could assist the community to develop through its CSR programmes. Likewise, the interviewee from COMP15 asserted that there were three principles in managing tensions with stakeholders that were implemented by the company, namely promoting zero conflict, maintaining harmonious relationships and raising prosperity in the area where the company operates through CSR programmes – also an expression of 'motherhood and apple pie' as outlined earlier. The interviewee stated,

> Commenting back in the media may result in a war with the media.... If bad news already became the [public] opinion, then factual comments would have no significant impact.... How do we face it? Not by countering news A by answering B, but by our positive CSR programmes. I think that is the best way to respond to the negative news.

Instead of seeing stakeholders as attackers that the companies being studied should defend themselves against through disclosures (Kujala et al., 2012), real actions through CSR programmes were conceived as being able to relieve the tensions in company-stakeholder relationships. This finding is in contrast to that of a study by Cho et al. (2012), who found that environmental disclosures by companies in the US can mediate the negative impact of environmental performance on environmental reputation; hence words speak louder than actions. As outlined earlier, the general public in Indonesia is more interested in CSR initiatives than CSR reports. In other words, actions speak louder than words in the Indonesian context.

Being asked how their companies responded to diverse stakeholders' interests, the interviewee from COMP2 replied that the company strived to demonstrate good deeds and accommodated the stakeholders' interests through CSR programmes that meet their needs. Similarly, the interviewee from COMP5 stated the company attempted to accommodate its diverse stakeholders' interests by sitting and talking together in *Musrenbang*. To recall, *Musrenbang* literally means 'dialogue on development planning'. It is an annual CSR planning event typically attended by local governments and local communities to capture *the assistance* needed by the community where the company operates. According to Ali (2017), accommodating stakeholders' interests reflects the acceptance of responsibility by 'doing all that is required' (p. 156). However, such responsibility through the delivery of aid in the CSR programmes contain economic vested self-interest as discussed earlier.

Avoiding conflicts with stakeholders is in line with Indonesia's democratic principle known as *musyawarah untuk mufakat* (deliberations to reach a consensus) where diverse and conflicting views on sustainability are converged into a consensus to preserve harmonious relationships. However, the interview findings discussed earlier indicate that *stakeholder engagement to reach a consensus with a wide range of stakeholders* was undertaken in the context of CSR programmes (e.g., via *Musrenbang*) but ignored in the

context of defining sustainability report content (e.g., via internal FGD). To reiterate, the companies' managers (i.e., the internal stakeholders) take control of stakeholder engagement for determining the material topics to be included in each sustainability report by having a *filtration* process *to select* the information appearing in the reports. The practice reflects symbolic reporting, from the perspective of the neo-institutional theory, because topics that matter to the (external) stakeholders are potentially excluded from the report, or the disclosed social and environmental impacts are below the (external) stakeholders' expectations (Schons and Steinmeier, 2016). Dissent is unavoidable and even permanent in the company-stakeholder relationship and should be accepted in constructive ways (Dawkins, 2015). Puroila and Mäkelä (2019) expected to see sociopolitical aspects in the material disclosures in sustainability reports, where the contesting of ideas in a material assessment process is reported, rather than seeing technicalities in developing a materiality matrix in the report.

This subsection outlined companies' responses to divergent stakeholder views on corporate sustainability. Several interviewees refused to admit that there were divergent and often conflicting stakeholders' views by saying that the company-stakeholder relationship was harmonious. A small number of interviewees acknowledged the concerns by accommodating stakeholders' interests through CSR programmes. The next section sums up this chapter.

8.4. SUMMARY

This chapter has outlined the findings from the interviews. The demand for transparency, top management's awareness and support, and compliance with requirements were the companies' motivations for sustainability reporting. Despite the variety of motivations, the reporting was seemingly undertaken to communicate the companies' expectations of what stakeholders would perceive about their CSR activities, rather than communicating the impacts and responsibilities expected by the stakeholders.

Institutional factors influenced the companies' voluntary sustainability reporting. The GRI exerted a normative influence on what the companies felt they ought to disclose. Meanwhile, the Indonesian government authorities exerted a coercive influence by imposing regulations for mandatory CSR programmes. A coercive influence also came from foreign stakeholders demanding more sustainable business processes. Besides these influences, a mimetic one was evident from consultants assisting companies to mimic their peers' sustainability reports.

Direct financial benefits of sustainability reporting were difficult to measure. Instead, the vast majority of the interviewees acknowledged there was a non-financial benefit in the form of enhancing their corporate reputation. In compiling a sustainability report, companies filtered the information to be included in the report. They either decided not to disclose any sensitive issues or wrote them up in such a way as to hinder any unintended consequences that could jeopardise their company's reputation. The process of sustainability reporting usually started in the fourth quarter of the year and finished in the first quarter of the following year. Ad hoc sustainability reporting teams, assisted by sustainability reporting consultants (known as copywriters), were involved in box-ticking activities in the collection of data across departments to meet the GRI indicators.

On the recognition of stakeholders in sustainability reporting, companies conceived them more as being those *who could affect* the achievement of the companies' objectives. A small number of interviewees acknowledged that their companies appointed those who could affect the companies' operations in the eyes of their boards. Instead of protecting multiple stakeholders, the interviewees acknowledged that such appointments protected the companies/shareholders' interests. The missing part in the definition of stakeholders was those *who could be affected* by the companies' operations – which reflected their attempts to map their impacts and manage their responsibilities. Yet, companies claimed they had made

contributions to the local communities or society through their CSR programmes but they were found to contain economic vested self-interest.

Companies used a variety of stakeholder engagement methods. However, the methods were superficial. The external stakeholders were not given reasonable control over determining the contents of the report because the reporting was perceived to be in the internal domain of the companies. Nevertheless, stakeholders were engaged more inclusively in the companies' CSR programmes.

The preparers of sustainability reports in Indonesia conceived sustainability reporting, in part, as a process of writing up a report on corporate sustainability, which was often mixed up with or used interchangeably with CSR. Consequently, the companies engaged with multiple stakeholder groups in planning, implementing and controlling their CSR programmes, but when they wrote up their sustainability reports, the companies' management took control of the process for defining the report content. In dealing with diverse sustainability views, companies tended to avoid conflict with their stakeholders. The companies decided to accommodate their stakeholders' interests and demonstrate good deeds through their CSR programmes.

CHAPTER 9

DISCUSSION

9.1. OVERVIEW

This chapter discusses the research findings from the questionnaire survey, sustainability reports, and interviews to answer the research questions in this thesis. Together they answer the first research question about the perceived role of stakeholder engagement in sustainability reporting by the preparers of sustainability reports in Indonesia; and the second research question about whether the report preparers decoupled their stakeholder engagement disclosures from their actual practices. There is also the main research question about embedding stakeholder engagement in sustainability reporting by the report preparers in Indonesia.

The discussion has revealed that stakeholder engagement was loosely embedded in sustainability reporting by the report preparers for two reasons. First, it was not integrated into the companies' strategy, governance and operations. Second, its practice was not in accordance with the principles for defining report content. Nevertheless, it is evident that the report preparers disclosed the companies' stakeholder engagement in their sustainability reports as practised. In other words, they did not decouple stakeholder engagement disclosures from actual practices – i.e., the disclosure-practice decoupling did not exist. However, the ways the companies engaged with their stakeholders (the means) deviated from the goals of stakeholder engagement suggested by the Global Reporting Initiative (GRI)'s principles for defining the report content (the ends), known as the means-ends decoupling.

Having been translated into Indonesia's local context, the role of stakeholder engagement in sustainability reporting was perceived differently from its global conception.

Stakeholder engagement played important roles in corporate social responsibility (CSR) programmes and materiality assessment to define the sustainability report content. Companies engaged with their stakeholders in the CSR programmes inclusively to ensure that their CSR programmes were delivered to the stakeholders that really needed help. In the materiality assessment process, however, stakeholders were not engaged inclusively. The internal stakeholders take control of the process of defining the report content because preparing CSR/sustainability reports was conceived as lying in the companies' internal domain. The internal stakeholders believed that they could capture the expectations of the external stakeholders from the stakeholder engagement in the CSR programmes. Therefore, the external stakeholders were not necessarily to be involved in the materiality assessment process for defining the report content.

This chapter starts with a discussion about the embedding of stakeholder engagement in sustainability reporting by the report preparers in Indonesia. Section 9.3 discusses the perceived role of stakeholder engagement in sustainability reporting. Section 9.4 discusses the means-ends decoupling instead of disclosure-practice decoupling. Lastly, Section 9.5 summarises the chapter.

9.2. EMBEDDING STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING BY THE REPORT PREPARERS IN INDONESIA

This section discusses the research findings to answer the main research question: 'How do preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting?'. The preparers of sustainability reports in Indonesia sought to embed stakeholder engagement in sustainability reporting as their response to coercive, normative and mimetic influences. The coercive influences came from two sources. First, CSR regulations imposing stakeholder engagement to assure that the CSR programmes were delivered to the

right people or places. Second, foreign stakeholders demanding more sustainable business processes. The source of the normative influences was from the GRI standards (previously called guidelines) providing guidance on what the companies ought to disclose with regard to their stakeholder engagement. In the meantime, the mimetic influences came from the hired sustainability reporting consultants helping the companies to mimic the peers who were perceived as successful.

9.2.1. Responding to Coercive Influences

It was evident from the interviews that foreign stakeholders (i.e., foreign customers and investors) exert coercive influences by demanding more sustainable businesses – i.e., economically more viable, socially more acceptable and environmentally more responsible businesses. As a developing country, Indonesia—with its 'free and active' foreign affairs policy—is open to international cooperation and participation in globalisation (Shekhar, 2018). The companies being studied must respond to the foreign stakeholders' demands if they wish to penetrate the global market. The non-conformity response would result in the companies potentially losing opportunities to expand their businesses worldwide. Taking these globalisation pressures into consideration would have the consequence that local values, beliefs, norms and rules—that were taken for granted in the home market—may get questioned when companies penetrate the global market (Crane et al., 2019).

Coercive influences, in the form of CSR regulations, are evident from the questionnaire survey and the interviews. The questionnaire survey showed that the government and authoritative bodies were the very demanding users and influential stakeholder groups. They issued regulations imposing mandatory CSR programmes and requiring the companies to report their CSR implementation for further evaluation. It is critical for companies to engage with their stakeholders as the mandatory CSR programmes involve money from the companies'

profit allocation. The regulations force the companies to engage with their relevant stakeholders, such as local governments and local communities, in their CSR programmes (Radyati, 2014). The aim is to ensure that the money allocated for the CSR programmes is clearly delivered to those who really need help (Zainal, 2015).

The regulations exerting coercive pressures had changed between 2007 and 2018, i.e., the observation period of this research. Since 2007, companies listed on the Indonesia Stock Exchange (IDX) and companies carrying out business activities in fields related to natural resources have been mandated to disclose their social and environmental responsibilities in their annual reports[14]. Ministerial regulations imposing mandatory CSR programmes to different types of company were not issued until 2010. The interviews revealed that the ministerial regulations were fragmental (sectoral) and overlapped one another[15]. Waagstein (2011: 459) states that 'excessive overlap among different laws' in CSR in Indonesia plus 'poor legal enforcement' result in 'legal uncertainties' in the country. In 2017, Financial Services Authority Regulation No. 51/POJK.03/2017 (POJK 51/2017 for short) was issued but the implementation started in 2019 onwards, depending on the type of company. Adhariani and du Toit (2020) state that POJK 51/2017 marked the initiation of the mandatory sustainability reporting in Indonesia as it used the term 'sustainability reporting' for the first time and imposes companies to report their sustainability issues, performance and agenda in either the annual report or a standalone sustainability report.

[14] They are imposed by the Decree of the Chairperson of the Capital Market and Financial Institution Supervisory Agency No. KEP-134/BL/2006 concerning the Obligation to Submit Annual Reports for Issuers or Public Companies and the Law No. 40 of 2007 concerning Corporations in Indonesia respectively.

[15] For instance, the Regulation of Minister of State-Owned Enterprises No. PER-09/MBU/7/2015 started to impose state-owned enterprises (SOEs) in Indonesia to engage with their stakeholders in a mandatory CSR programme for SOEs known as PKBL (*Program Kemitraan dan Bina Lingkungan* or Partnership and Community Development Programme). The regulation was amended many times, especially about the percentage of the profit allocation for the PKBL. SOEs operating in mining sector must also comply with a mandatory CSR programme specifically for mining companies under the Minister of Energy and Mineral Resources Decree No. 1824 K/30/MEM/2018 on P3M (*Program Pengembangan dan Pemberdayaan Masyarakat* or the Community Development and Empowerment Programme).

Each of the ministerial regulations imposes a requirement on companies to engage with their stakeholders when delivering CSR programmes and report them to the corresponding ministries. The interviews revealed that more than a half of the companies being studied had gone beyond compliance with the ministerial regulations by practising sustainability reporting voluntarily with a broader range of audiences/report users, as also reported by Soleha (2020). The sustainability reports showed that five companies being studied complied with the POJK 51/2017 although they were not imposed yet by the regulation to implement the regulation in the period this research was undertaken. This was confirmed in the interviews. Despite this going beyond compliance, the interviews revealed that the practice reflects symbolic reporting. Even though the companies' responses to the regulations exceeded their requirements, the reasons for going beyond compliance was 'letting stakeholders know what the company has done' and 'documenting the company's activities' instead of 'delivering information on the companies' impacts and responsibilities, as expected by the stakeholders'.

9.2.2. Responding to Normative Influences

The interviews revealed that the report preparers were familiar with the GRI-based sustainability reporting from a training course provided by an organisation called NCSR (National Center for Sustainability Reporting). Prior literature (see, for example, AbouAssi and Bies, 2018; Amran and Haniffa, 2011; DiMaggio and Powell, 1983) suggests that education and professional networks establish a cognitive belief about embedding a new institution in the companies. Adhariani and du Toit (2020: 622) posit, 'The NCSR was the first independent organisation to develop sustainability reporting in Indonesia… It was founded in 2005 and has been actively disseminating information about the sustainability reporting system in Indonesia through various seminars and trainings since then'.

The GRI exerts the normative influences (De Villiers and Alexander, 2014) by suggesting the report preparers engage with the companies' stakeholders and disclose their stakeholder engagement in the companies' sustainability reports. The content analysis of 120 sustainability reports showed that 108 reports disclosed the companies' stakeholder engagement in a separate section. Among them, 96 reports make reference to GRI standards (previously guidelines). Bellucci et al. (2019) posit that the separate section indicates that the companies' stakeholder engagements are a critical part of their sustainability reports. The findings suggest that the report preparers strived to disclose their stakeholder engagement by making reference to the GRI.

The normative influences have changed in the observation period between 2007 and 2018. The sustainability reports revealed that disclosures on the use of specific stakeholder engagement approaches in the report preparation process did not appear in the reports being studied until 2013 – the period when GRI Guidelines G4 was introduced (see Graphs 7.4 to 7.7 in Chapter 7). Wagner and Seele (2017) believe that the GRI G4 Guidelines (GRI, 2013), with the focus on processes of stakeholder engagement, exerts stronger normative influence than the earlier version (i.e., GRI G3.1 Guidelines). They posit that the GRI G3.1 Guidelines has 'no clear guidance on how to interact with stakeholders' whereas the GRI G4 Guidelines has 'stricter requirements regarding stakeholder engagement disclosure' (p. 343). 'Stakeholder engagement' basically indicates the 'practice' of engaging (i.e., interacting – the term used by Wagner and Seele, 2017) with stakeholders. The GRI G4 Guidelines (GRI, 2013) suggests that not only do companies need to practise it (i.e., interaction with their stakeholders), but they also need to disclose it (i.e., by reporting their interaction with stakeholders) in their sustainability reports. In other words, the GRI G4 Guidelines suggests the companies to translate their stakeholder engagement into disclosure (Bellucci and Manetti, 2019).

Instead of adopting the GRI's global conception of stakeholder engagement, the report preparers in Indonesia adapted it to their local institutional contexts. According to Gilbert et al. (2011), something that is ostensibly universally accepted could be perceived differently in a local context. The interviews showed that the general public in Indonesia expects to see the companies' real actions from their CSR programmes rather than their reports. In other words, actions speak louder than words in the context of Indonesia's CSR reporting. This contradicts the finding in a study by Cho et al. (2012) that words speak louder than actions, where the companies' environmental disclosures can mediate the negative impacts of their environmental performance on the companies' environmental reputations.

Since actions are more appreciated than words in Indonesian culture, the ways companies engaged with their stakeholders in defining their sustainability report content tend to be symbolic. For instance, the sustainability reports showed that internal Focus Group Discussions (FGDs) were used specifically in the report preparation process where the external stakeholders were excluded in such dialogic engagement (see Table 7.5 and Graph 7.4 in Chapter 7). The interviews also confirmed that the internal FGDs were used in the report preparation process. The findings suggest that stakeholder engagement was loosely embedded in the sustainability reporting, that is just because companies disclosed their stakeholder engagement approaches specifically in the report preparation process (see GRI G4-26 in GRI, 2013; or GRI Standard Disclosure 102-43 in GRI, 2016), that does not necessarily follow that the companies have conformed to the GRI's principles for defining report content – where material topics included in the sustainability report are determined by both the internal and external stakeholders.

The sustainability reports and the interviews revealed that the companies being studied did not engage with a wide range of stakeholders in decision-making processes that impacted them, except in the mandatory CSR programmes. They were engaged in the

companies' mandatory CSR programmes for two reasons. First, stakeholder engagement in CSR programmes was imposed by the prevailing regulations with sanctions for non-compliance. Second, the companies needed to identify the needs of their stakeholders, so that the CSR programmes could address their problems. However, stakeholders' participation was absent in a wider context of sustainability's planning (including in formulating sustainability strategies) and operations.

In the questionnaire survey, only nine respondents acknowledged that their companies had included their external stakeholders' representatives in the companies' organisational structure. None of the survey respondents viewed the stakeholder engagement in sustainability reporting as a mechanism for empowering the stakeholders by including their representatives in the company's formal structure and involving them in the company's strategy formulations, operations and governance. The interviews also revealed that only a few of the interviewees stated that there was inclusion of external stakeholders' representatives in the companies' organisational structure (e.g., as independent commissioners). In Indonesia's legal context, companies must have independent commissioners (i.e., the group of people coming from outside of the company that are responsible for overseeing and advising the members of the board of directors) comprising at least 30 per cent of the total number of members of the board of commissioners. The findings suggest that the presence of independent commissioners is more associated with the companies' legal compliance in the context of good corporate governance (GCG) than for its relevance to the sustainability reporting's context. According to the findings, stakeholder engagement was loosely embedded in sustainability reporting since it was not integrated into the companies' strategy, governance and operations.

9.2.3. Responding to Mimetic Influences

As a new institution for the report preparers being studied, stakeholder engagement was embedded in sustainability reporting through a mimicking process. The interviews revealed that the companies mimicked the peers who were perceived as successful with the help of their hired consultants – similar to a study by Jensen and Berg (2012). The sustainability reports (see Graphs 7.1 to 7.10 in Chapter 7) revealed that, in the most cases, the number of reports issued by award-winning companies in the Indonesia Sustainability Reporting Award (ISRA) outnumbered those by the non-award-winning companies in the early periods of observation. The reverse happened in the following periods. This indicates that the non-award-winning companies mimicked the ISRA award-winning companies over time as their role models. Besides, when companies are uncertain about the appropriate responses to institutional pressures – e.g., legal uncertainty arising from the fragmental (sectoral) and overlapping ministerial regulations on CSR in Indonesia, as discussed earlier – they may mimic or benchmark other companies that are perceived to be more legitimate and/or successful (Aerts et al., 2006). According to DiMaggio and Powell, (1983), the peers who were perceived as successful would become role models that are spread out 'unintentionally and indirectly by consulting firms' (p. 151).

Even though the report preparers were familiar with the GRI's stakeholder engagement from the training course held by NCSR, the interviews revealed that the companies still needed sustainability reporting consultants, known as copywriters. In the questionnaire survey, 59 out of 73 respondents acknowledged that their companies hired such consultants. According to Christensen and Skærbæk (2010), the consultants could be viewed as 'experts' (p. 524) assisting their corporate clients with their sustainability reporting.

The interviews revealed that the consultants were hired to help the companies compile the required data to meet the GRI indicators. The consultants attempted to embed

stakeholder engagement in their clients' sustainability reporting by meeting the GRI indicators on stakeholder engagement. With the help of the hired consultants, the companies being studied in this thesis mimicked their peers' sustainability reports (the output), instead of their sustainability reporting (the process), as was evident from the interviews. As a result, stakeholder engagement was undertaken by box-ticking what had been disclosed by the peers who were perceived as successful, which was considered to be the companies' benchmarks. The findings are also evident in a study by De Villiers and Alexander (2014) which showed that the non-coercive nature of the framework tends to encourage box-ticking among companies voluntarily producing sustainability reports.

Despite being voluntary, the box-ticking activities resulted in a fair number of disclosed items on the GRI's stakeholder engagement indicators (i.e., 11 out of 15 indicators), as evident in the content analysis. The extant literature (see, for example, De Villiers and Alexander, 2014; Doni et al., 2020) suggests that box-ticking is closely associated with an attempt to obtain legitimacy without substantively practising what was disclosed. The box-ticking in this thesis, however, indicated the companies' attempts to disclose their stakeholder engagement in their sustainability reports. When comparing the practices in the interviews and the disclosures in the sustainability reports, it is not evident that the companies loosely embedded their stakeholder engagement in sustainability reporting. The hired consultants helped the companies translate their stakeholder engagement into disclosure.

This section discussed embedding stakeholder engagement in sustainability reporting. The discussion has shown that institutional influences (namely coercive, normative and mimetic influences) engendered the report preparers to strive to embed stakeholder engagement in their sustainability reporting. The GRI's global conception of stakeholder engagement was contextualised by adapting rather than adopting its universal beliefs, norms, roles, and values into Indonesia's politicoeconomic, sociocultural and legal contexts. It is

evident that companies translated their stakeholder engagement into disclosure with the help of their hired consultants by meeting the GRI indicators on stakeholder engagement. However, stakeholder engagement was loosely embedded because the companies' stakeholder engagement practices deviated from the GRI's principles for defining the report content and it was not integrated into the companies' strategy, governance and operations.

Overall, the discussion in this section has provided insights into the need to embed stakeholder engagement in sustainability reporting. It offers an understanding of how, just because the companies provide stakeholder engagement disclosures in their sustainability reports by making a reference to the GRI, it does not necessarily follow that that they have conformed with the GRI's principles for defining report content. It also provides insights into the important role of sustainability reporting consultants (copywriters) in shepherding their clients to conduct more substantive stakeholder engagement (as the opposite of the symbolic stakeholder engagement). The discussion also provides insights into the need to go beyond the data administration to meet the GRI indicators. The next section discusses the perceived role of stakeholder engagement in sustainability reporting.

9.3. THE PERCEIVED ROLE OF STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING

This section discusses the research findings to answer the first research question, 'How do the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement in sustainability reporting?'. By condensing the findings from the questionnaire survey, sustainability reports and the interviews, the perceived role of stakeholder engagement in sustainability reporting was found to be twofold. First, there is the role of stakeholder engagement in CSR programmes. Second, there is the role of stakeholder engagement in the materiality assessment to define the report content. Furthermore, the report preparers divided

stakeholders into internal and external stakeholders. Each of these stakeholder groups has its perceived role in the companies' sustainability reporting.

9.3.1. The Role of Stakeholder Engagement in CSR Programmes

The companies' stakeholder engagement in CSR programmes was found in the sustainability reports being studied. For example, COMP3 engaged with local governments and local communities in a dialogic forum known as Musrenbang (i.e., *Musyawarah Perencanaan Pembangunan* or dialogue on development planning) to plan the company's CSR programmes. With regard to the implementation of CSR programmes, COMP8 posted the testimonies of various stakeholder groups who received aid from the company's CSR programmes. Stakeholders were also engaged in the CSR's monitoring and evaluation process, as acknowledged by COMP9. The company established *Bina Lingkungan Komunikasi* (*Bilikom*), a community communication forum, as a grievance mechanism to monitor and evaluate its CSR programmes.

According to the findings above, the companies engaged with their stakeholders from the planning to the controlling stages of the companies' CSR programmes. In a similar vein, a study by Kepore and Imbun (2011) found mining companies in Papua New Guinea engaged the local communities in their CSR planning, to ensure that the CSR programmes would address their needs. The planned CSR programmes were implemented and monitored to maintain positive track records of CSR performance and good relationships with the stakeholders (see Lane and Devin, 2018; Mason and Simmons, 2014).

CSR programmes are critical in Indonesia's economic and social contexts. It is a country with significant economic and educational gaps between the provinces. To illustrate, Papua (the eastern most province in the country) is rich in natural resources and many multinational mining companies operate there (Rifai-Hasan, 2009). Meanwhile, Jakarta (the

capital of the country) is an administrative metropolitan city where most company headquarters are located. The literacy rate in Papua is lower than Jakarta and the poverty rate in Papua is higher than Jakarta[16]. Therefore, a CSR programme in less developed areas in Indonesia is perceived as an oasis in the desert (Radyati, 2014; Shauki, 2011). Accordingly, the government and authoritative bodies in Indonesia exert a coercive influence by requiring companies to allocate a certain percentage of their profits to help the country achieve its Sustainable Development Goals (SDGs) through their CSR programmes (Indarti, 2018; Sinaga, 2017).

Findings from the interviews showed that coercive influences emerged from various ministerial regulations, which tended to be sectoral and, to some extent, overlapping one another. For example, state-owned enterprises (SOEs) in the mining sector are obliged to conduct two different but mandatory CSR programmes. First, PKBL (*Program Kemitraan dan Bina Lingkungan* or the Partnership and Community Development Programme) from the Ministry of SOEs, under Regulation No. PER-02/MBU/7/2017 on PKBL. Second, P3M (*Program Pengembangan dan Pemberdayaan Masyarakat* or the Community Development and Empowerment Programme) from the Ministry of Energy and Mineral Resources (EMR) under the Minister of EMR Decree No. 1824 K/30/MEM/2018 on P3M.

Both regulations (pertaining to PKBL and P3M) require companies to engage with their relevant stakeholders in community development programmes as a part of their mandatory CSR programmes. In the PKBL, for example, SOEs are required to engage with their targeted local communities and small and medium-sized enterprises (SMEs). SOEs are required by the regulation to ask about the aid that the local communities and SMEs need, as well as engage with all the other relevant stakeholders (e.g., the local government) supporting the success of

[16]According to Statistics Indonesia or *Badan Pusat Statistik* (BPS, 2021d), the literacy rate of people over 15 years old in Papua was 77.9 per cent, while in Jakarta it was 99.7 per cent compared to the national level of 96 per cent in 2020. In addition, the percentage of people in poverty in Papua was much higher than at the national level (i.e., 26.8 per cent compared to 10.2 per cent at the national level) in the second semester of 2020, while the percentage of people in poverty in Jakarta was only 4.7 per cent in the same period (BPS, 2021e).

PKBL's implementation (Zainal, 2015). The companies perceived the coercive influence exerted by the government and authoritative bodies as 'force, persuasion or invitation' (DiMaggio and Powell, 1983: 150) to engage their relevant stakeholders in their CSR programmes.

The sustainability reports and interviews revealed that stakeholder engagement in the mandatory CSR programmes involved interactions between the companies' internal and external stakeholders. The internal stakeholders (i.e., the companies' management team members) consulted with the external stakeholders (e.g., the government and local communities, among others) to identify and deliver the aid needed by the targeted recipients of the CSR programmes. From this standpoint, stakeholder engagement in the mandatory CSR programmes was prone to be charitable or philanthropic. As reported in a study on CSR disclosures across ASEAN (Association of Southeast Asian Nations) members, the CSR programmes delivered by companies listed on the IDX were mostly in the form of philanthropic initiatives (ASEAN, 2018).

The content analysis of sustainability reports has revealed that the CSR programmes were undertaken through partnerships with the external stakeholders (e.g., local communities), which has a degree of empowerment (Arnstein, 1969; Kaur and Lodhia, 2014). The partnership in the PKBL, for instance, aims to empower SMEs as the backbone of the economy in the area where the companies operate (Indarti, 2018). Yet, it was evident from the interviews that the companies' stakeholder engagement in their CSR programmes tended to contain economic self-interest. The companies were willing to take the benefits from the responsibility that they demonstrate through their CSR programmes. For example, the companies expected the society receiving aid to become customers or business partners in the near foreseeable future following the companies' CSR programmes. Such economic self-interest is closely associated with symbolic stakeholder engagement. This symbolic

stakeholder engagement is in contrast to the authentic kind, where the companies embrace their stakeholders' aspirations to improve societal and environmental conditions (Dawkins, 2014; Mason and Simmons, 2014).

It is also evident in the sustainability reports that various stakeholder groups were engaged by using the 'informing' approach, such as through brochures, newsletters and magazines. The use of the 'informing' approach clearly indicated that the identified stakeholder groups (as shown in Table 7.4 in Chapter 7) were not actively engaged. The nature of the 'informing' approach is the dissemination of information *to* stakeholders, instead of the communication/dialogue *with* stakeholders – the essence of stakeholder engagement in sustainability reporting (Lazzi et al., 2020). Despite the lack of a dialogic aspect in the 'informing' approach, it seems to be considered a useful approach by both the award-winning and non-award-winning companies in the Indonesia Sustainability Reporting Award (ISRA) (see Graph 7.1 in Chapter 7).

This subsection discussed the role of stakeholder engagement in CSR programmes. The companies' stakeholder engagement in their CSR programmes was influenced by coercive factors in the form of various ministerial regulations. The companies engaged with a wide range of relevant stakeholders, from the planning to the controlling stages, for the success of their CSR programmes. However, the companies' CSR programmes were prone to promoting economic self-interest which does not constitute authentic stakeholder engagement. The next subsection discusses the role of stakeholder engagement in the materiality assessment to define the content of the companies' sustainability reports.

9.3.2. The Role of Stakeholder Engagement in Materiality Assessment

In the context of the materiality assessment, the report preparers conceived that stakeholder engagement played an important role in identifying, prioritising, validating and

reviewing issues to be included in the companies' sustainability reports. The content analysis of sustainability reports revealed that 74 out of the 120 sustainability reports being studied explain the process for defining the content of the report, namely identification, prioritisation, validation and review. The process aims to determine material issues/topics to be included in the companies' sustainability reports. Previous studies (see, for example, Beske et al., 2020; Puroila and Mäkelä, 2019) highlight that the report preparers need to engage with a broad range of stakeholders to embrace materiality as an integral part of the sustainability reporting process. Unerman (2007) posits that in the absence of such stakeholder engagement, the companies would only by luck be able to address the information needs of their stakeholders.

The findings from the questionnaire survey revealed that stakeholders played an important role in determining the material topics to be disclosed in sustainability reports (ranked number one). The role of stakeholder engagement in the materiality assessment was perceived as a mechanism for gathering information about the stakeholders' expectations of and interests in the companies' sustainability issues (also ranked number one). The sustainability reports being studied and the interviews show that the companies gathered such information through consultation with their stakeholders by using questionnaires. The companies used the questionnaires to *identify* and *prioritise* issues that mattered to the companies' external stakeholders. However, the interviews show that the external stakeholders that were engaged did not have control over the decision about the material topics to be included in the companies' sustainability reports. Instead, the decision was at the management's discretion.

According to the above findings, stakeholders' views were prone to being only in the form of advice gathered in the materiality assessment (Bellucci and Manetti, 2019; Friedman and Miles, 2006). The companies' consultation with their stakeholders via the questionnaires indicates that stakeholder 'engagement' was conceived as stakeholder

'involvement'. In this regard, the companies elicited their stakeholders' views but there was no guarantee that their views would be considered in the decision-making process for determining the report content.

In addition to the companies' consultation with their stakeholders via the questionnaires, the content analysis of sustainability reports also showed the use of focus group discussions (FGDs) in *identifying* and *prioritising* sustainability issues. Payne and Calton (2002) posit that the companies' stakeholder engagement, by opening up a dialogue, was able to change the preconceived relationships between the companies and their stakeholders due to the mutual learning arising from the dialogic engagement. However, the sustainability reports and interviews revealed that the companies undertook the FGDs internally with their internal stakeholders to decide the contents of the companies' sustainability reports. In the FGDs, the internal stakeholders took control of the process for identifying and prioritising sustainability issues. The external stakeholders were excluded from the process of determining what to report as the process lay in the companies' internal domain. The internal FGDs disregarded the perspectives of the companies' external stakeholders, so they failed to create mutual learning, understanding and commitment with regard to sustainability issues that matter for both the companies and their stakeholders (Bellucci and Manetti, 2019; Manetti, 2011).

The GRI exerts a normative influence (see De Villiers and Alexander, 2014; Contrafatto, 2014) on what ought to be done with regard to the conception of stakeholder engagement in the materiality assessment. The sustainability reports being studied show that the 'materiality matrix' introduced by the GRI (2013:37) was developed as a mechanism for *validating* sustainability issues to be included in the companies' sustainability reports. In the validation process, the prioritised sustainability topics were internally discussed by the internal stakeholders in the FGDs and approved by the companies' top management. From this

standpoint, the *validation* process disregarded the external stakeholders' views on what really mattered to them to be included in the companies' sustainability reports.

The sustainability reports being studied show that the materiality matrix was prepared by classifying the importance of sustainability issues into what mattered for both the companies (X-axis) and stakeholders (Y-axis), from the perspective of the report preparers. The external stakeholders were not engaged in the materiality matrix's development. Instead, the internal stakeholders believed that they were able to capture the external stakeholders' views from their interactions in the CSR programmes. The interviews revealed that the companies' engagement with their external stakeholders in the CSR programmes was considered sufficient to address their information needs in the companies' sustainability reports. Owen (2000) believes that such managerial capture practices tend to result in shallowed disclosures. That is because the report preparers take control of the degree of stakeholder inclusion and selectively disseminate the sustainability information from their perspectives, which may not be relevant to the unengaged external stakeholders (Baker, 2010; O'Dwyer, 2003; Owen, 2000).

Puroila and Mäkelä (2019) criticise the lack of sociopolitical aspects in the validation process through the development of the materiality matrix. Rather than seeing the technical explanation, they expect to see the materiality disclosures showing the dynamic process of developing the materiality matrix, with the inevitable tensions and conflicts. The materiality disclosures need to demonstrate pluralism and the contesting sustainability views between the companies and their stakeholders in defining the report content rather than merely showing the agreed material topics in the materiality matrix (Dawkins, 2015; Puroila and Mäkelä, 2019).

The sustainability reports being studied show that the companies issued their sustainability reports after the validation process, as discussed above. The findings from

sustainability reports revealed that the companies *reviewed* their material topics by obtaining feedback from the readers of the companies' sustainability reports. The companies' welcome of their stakeholders' feedback was found in 90 out of 120 sustainability reports. However, the interviews revealed that the companies never received any feedback from the report readers. Despite nil results, the companies continuously attached a feedback form to their sustainability reports – indicating a futile and symbolic stakeholder engagement mechanism, which did not provide any input from stakeholders for improvements in the next reporting cycle

This subsection discussed the role of stakeholder engagement in the materiality assessment to define the report content. Stakeholder engagement played an important role in identifying, prioritising, validating and reviewing issues to be included in the companies' sustainability reports. The report preparers believed that their interactions with the external stakeholders in the CSR programmes were sufficient to determine the topics to be included in the companies' sustainability reports. Accordingly, it was not deemed necessary to engage the external stakeholders when the companies were preparing their sustainability reports. Instead, the internal stakeholders took control of the degree of stakeholder inclusion and the selection of the sustainability information. Overall, the discussion in this section offers an understanding of how the perceived role of stakeholder engagement in sustainability reporting can be different from the global conception following the translation process through adaptation with local politicoeconomic, sociocultural and legal context. The next section discusses the means-ends decoupling instead of the disclosure-practice decoupling.

9.4. MEANS-ENDS DECOUPLING INSTEAD OF DISCLOSURE-PRACTICE DECOUPLING

On the question of whether the companies disclosed their actual practices of stakeholder engagement (i.e., the second research question), the questionnaire survey reveals

that 42 out of the 73 respondents claimed that they only disclosed their stakeholder engagement partially (not fully) because the GRI's disclosures and the sustainability reporting in Indonesia were voluntary. Even more respondents (57) asserted that they would not fully disclose their engagement practices in the absence of the suggestion to disclose by the GRI. The content analysis of sustainability reports also showed that the GRI indicators were not followed perfectly – with 11 out of 15 items of stakeholder engagement disclosures showing the presence outweighs the absence.

The above findings imply two things. First, the report preparers who decided not to fully disclose the companies' stakeholder engagement, regardless of the presence or absence of the suggestion, might have the intention to decouple the disclosures from the actual practices. The findings support a study by Kaur and Lodhia (2018) in that it is possible for a reporting organisation to engage with its stakeholders extensively but not, or only partially, disclose the practice in its sustainability report, due to voluntary sustainability reporting. It is also possible that the report preparers disclose their stakeholder engagement more extensively than in actual practice. In this regard, companies only follow the GRI's formal structure by box-ticking the GRI's stakeholder engagement indicators but deviate from the practice to meet the companies' internal objectives (see, for example, De Villiers and Alexander, 2014; Jamali, 2010). Bromley and Powell (2012) called this 'smoke and mirrors' in that the box-ticking exercise creates an illusion to make the report readers believe that the companies have undertaken stakeholder engagement as disclosed, but actually they have not.

Second, the report preparers' decision to disclose the companies' stakeholder engagement (either fully or partially) only when the reporting framework suggested they do so indicates a symbolic stakeholder engagement in the companies' sustainability reporting. As a consequence of the GRI being normative rather than coercive (De Villiers and Alexander, 2014; Contrafatto, 2014), the report preparers may 'take it or leave it' and there is no sanction

for it being purely symbolic. Dawkins (2014) posits that authentic stakeholder engagement requires consistency in the actions and disclosures, even though there is no sustainability reporting framework suggesting the reporting of the practices of their stakeholder engagement.

Nevertheless, the content analysis' results outlined earlier (i.e., 11 out of 15 items of stakeholder engagement disclosures showing the presence outweighs the absence) can also be interpreted in a more optimistic way. The report preparers being studied accepted the GRI's global conception of stakeholder engagement in sustainability reporting, as indicated by the greater number of disclosed than non-disclosed indicators. This is in line with a study by Bellucci et al. (2019), where the 299 companies being studied claimed to have accepted the global conception of stakeholder engagement introduced by the GRI even though not all the GRI's stakeholder engagement indicators were met.

In ascertaining whether the report preparers decoupled stakeholder engagement disclosures from the actual practice, the findings from sustainability reports and interviews were cross checked. The results showed *consistency between the practice of stakeholder engagement, as explained by the report preparers in the interviews and that disclosed in their sustainability reports*. The findings are in contrast to former studies (see, for example, Behnam and MacLean, 2011; Jamali, 2010). Managers of companies in their studies *intentionally* created and maintained a gap between policy and practice by formally setting a policy to adopt internationally recognised standards *without* concomitantly practising them. The companies ceremonially conformed to the standards with the intention to obtain legitimacy and avoid close scrutiny, while preserving their business-as-usual stance. By decoupling the policy from the practice, the companies were perceived as credible, due to the policy of adopting the standards while enabling them to undertake practices that are discouraged by the standards. Meanwhile, the findings of this thesis have revealed that the companies set a policy to follow the GRI's indicators on stakeholder engagement and sought to meet them. From this standpoint, the report

preparers in Indonesia were aware of translating stakeholder engagement into disclosures. The report preparers did not create and maintain a gap between their claims and actions with regard to stakeholder engagement. Therefore, policy-practice or disclosure-practice decoupling (Bromley and Powell, 2012) did not exist in this research.

Nevertheless, the interviews confirmed the findings from sustainability reports that the companies engaged their stakeholders with a lesser degree of *inclusiveness* in the *materiality* assessment than in the CSR programmes. The internal stakeholders took control of the process for determining the material topics to be included in the companies' sustainability reports. The report preparers were confident that the internal stakeholders were able to capture the external stakeholders' views from their business-as-usual engagement, including in CSR programmes – rather than in a wider *sustainability context*. With such a degree of stakeholder inclusion and sustainability topics, the report preparers were confident that their companies were able to produce *complete* information in their sustainability reports. Despite the deviation from the GRI's principles for defining report content, the consistency between the practice of stakeholder engagement (as explained by the report preparers in the interviews) and the stakeholder engagement disclosures (as disclosed in their sustainability reports) indicates that the report preparers unintentionally overlooked the stakeholder inclusiveness, sustainability context, materiality and completeness principles. Indonesia's politicoeconomic, sociocultural and legal backgrounds shaped their understandings when translating the global conception into local context – explained later in this section.

Even though the companies did not decouple the disclosures from the practices, the ways the companies engaged with their stakeholder outlined earlier (the means) deviated from the goals of stakeholder engagement suggested by the GRI's principles for defining the report content (the ends). The research findings indicate that the companies' stakeholder engagement practices deviated from stakeholder inclusiveness, the sustainability context and the materiality

and completeness principles. The deviation of the practices from the principles indicates the presence of means-ends decoupling (see Bromley and Powell, 2012; Wijen, 2014).

Wijen (2014) highlighted that means-ends decoupling is evident in opaque fields, such as 'sustainability standards' (p. 302). In a similar vein, Bromley and Powell (2012) posit that the means-ends decoupling emerges in a field emphasising *evaluation, standardisation and benchmarking*. The interviews revealed that the report preparers *benchmarked* their peers' perceived best practices in preparing sustainability reports. The interviews also showed that foreign stakeholders demanded more sustainable business practices, e.g., demanding the palm oil companies comply with the Roundtable on Sustainable Palm Oil (RSPO) certification *standards*, which are *evaluated* periodically. Sustainability reporting as an opaque field had the consequence that the report preparers considered the GRI's indicators as technical prescriptions about what to disclose, with regard to the companies' stakeholder engagements. The perceived technical prescriptions were indicated by the greater number of disclosed than non-disclosed indicators in the content analysis. The deviation between means and ends emerges when the perceived 'technical prescriptions are so institutionalised that they become ends in themselves' (Pache and Santos, 2010: 460).

Conceiving sustainability reporting as an opaque field also had the consequence that the GRI's global conception of stakeholder engagement needed to be translated into Indonesia's local contexts. This is because 'what counts as appropriate behaviour in the light of *universal standards* can *differ* from *context to context*' (Gilbert et al., 2011: 38, emphasis added). In Indonesia's economic and social contexts, as discussed earlier, CSR is like an oasis in the desert for societies living in the less developed parts of the country – where plantation, energy and mining companies mostly operate (see Radyati, 2014; Shauki, 2011). They have been living with the fact that the area they live in is rich in natural resources but its economic

development is left behind (Erman et al., 2015). As a result, communities expect to receive aid from the companies' CSR programmes.

The interviews revealed that the general public in Indonesia were more concerned with the companies' real actions through their CSR programmes than the words written in their sustainability reports. Therefore, the companies engaged more inclusively with their external stakeholders in their CSR programmes. However, it was not considered necessary to include the external stakeholders in the materiality assessment process for defining the report content as it was perceived to fall within the companies' internal domain. From this standpoint, the way the companies engaged with stakeholders (the means) deviates from the *stakeholder inclusiveness principle* (the ends). The sustainability reports (see Graph 7.4. in Chapter 7) revealed that both the ISRA award-winning and non-award-winning companies conducted internal FGDs. The award-winning companies that were perceived the best practice also deviated from the principle and mimicked by the non-award-winning companies.

The content analysis revealed that 110 reports disclosed key topics arising from stakeholder engagement. The companies inclusively engaged with both their internal and external stakeholders with regard to various topics. However, a closer look at the reports showed that the topics were more about economic or business-as-usual topics rather than a wider range of sustainability topics. As 'sustainability' was understood to be equivalent to 'CSR', where the mandatory CSR programmes involved the allocation of corporate funds, the economic/financial resilience was critical and strongly associated with the key success factors of corporate sustainability (Urip, 2010). Therefore, the practice (the means) deviates from the *sustainability context principle* (the ends), in that the companies should engage with their stakeholders beyond the economic or business-as-usual topics. The sustainability reports (see Graphs 7.8 to 7.10 in Chapter 7) revealed that the social and environmental topics arising from the stakeholder engagement have been disclosed by both the ISRA award-winning and non-

award-winning companies from 2007 to 2018. However, the number of reports disclosing these topics was less than the economic/business-as-usual topics. The ISRA award-winning companies were supposedly showing the best practice of implementing this principle, but that did not happen. The non-award-winning companies, consequently, mimicked the ISRA award-winning companies as their perceived best practice.

The questionnaire survey revealed that the competence of the stakeholders to speak and act (ranked fourth) was considered a very important factor in choosing the stakeholder engagement methods. Sociocultural conditions in Indonesia, such as the language barrier or education gap[17], are likely to hinder the inclusiveness of stakeholder engagement in the materiality assessment. To reiterate, the content analysis shows that the internal stakeholders took control of the process of identifying and prioritising topics to be validated in the materiality assessment. The materiality assessment being carried out in that way creates 'an illusory consensus or false compromise in the form of a materiality matrix' (Puroila and Mäkelä, 2019: 1063). This is because divergent views are narrowed down through the internal consensus in order to focus the content solely on the topics considered most important, while agreeing not to disclose (that is to say, remove) the sustainability information perceived as less important from the perspective of the report preparers. Having said this, the practice (the means) deviates from the *materiality principle* (the ends) in that the companies should also engage with a wide range of stakeholders on what matters for both parties in the materiality assessment process for defining the report content.

[17]Most plantation, energy and mining companies in Indonesia operate in areas where local people live in relatively traditional ways. Several tribes, particularly in isolated areas, speak very little Bahasa Indonesia or do not understand it at all (Fettling, 2018). It has more than 300 local languages and Bahasa Indonesia is the country's *lingua franca* and the national language (The Jakarta Post, 2019). In addition to the language barrier, engagement between companies and local communities becomes more challenging because of uneducated and volatile tribe members (Li, 2005).

As discussed earlier, it is evident from the sustainability reports and interviews that the report preparers undertook managerial capture practices (Baker, 2010; O'Dwyer, 2003; Owen et al., 2000) where the internal stakeholders took control of the degree of stakeholder inclusion and the selection of sustainability information. The report preparers were confident that they were able to capture and include the external stakeholders' views in the companies' sustainability reports from their interactions in business-as-usual and CSR programmes. The interviews revealed that the external stakeholders were asked for their *testimonies about the success stories of the CSR programmes*. The stakeholders providing the testimonies were not paid but they were selected by the companies' CSR team and later their testimonies were edited/proofread by the companies' ad hoc sustainability reporting team – as acknowledged by the interviewees. The practice is likely to result in sustainability reports presenting information that favours the companies while hiding any unfavourable news. The practice (the means) deviates from the *completeness principle* (the ends), in that the companies should provide balanced information, both positive and negative, that matters to both the companies and their stakeholders. The sustainability reports (see 'Internal checking mechanism' in Table 7.12 in Chapter 7) revealed that the completeness principle was implemented by submitting relevant data and information to the ad hoc team which was then *discussed and approved internally* in the report preparation process (as evident in 36 of 38 sustainability reports explaining the implementation of this principle). This mechanism was conducted by both the ISRA award-winning and non-award-winning companies. The non-award-winning companies mimicked the ISRA award-winning companies as they were perceived the best practice.

Based on the above discussion, it can be said that the deviation between the means and ends in this research tends to be unintentional and is a part of the companies' learning process. The means-ends decoupling found in this thesis was the result of contextualising the GRI's global conception of stakeholder engagement into Indonesia's politicoeconomic,

sociocultural and legal contexts. The findings contrast with those of a study by Wijen (2014: 306), who stated that 'the lack of attention, the lack of motivation and the lack of knowledge' cause the means-ends decoupling. None of these three factors is evident as a cause of the means-ends decoupling in this thesis. As discussed earlier, the report preparers paid attention to the GRI's stakeholder engagement indicators. They were motivated to disclose the companies' stakeholder engagement. The report preparers were also familiar with the GRI from the training they attended.

Gondo and Amis (2013: 232) posit that unintentional decoupling is present when 'the *acceptance* of a practice' is high but 'the level of *conscious* reflection' during implementation is low (emphasis added). This implies that when the report preparers accepted the GRI's global conception of stakeholder engagement as a socially constructed norm, they unconsciously (i.e., unintentionally) overlooked the principles that needed to be carried out as a new institution, rather than purposefully evading them. The report preparers focused on meeting the GRI's stakeholder engagement indicators as technical prescriptions but unconsciously/unintentionally diverted the practices from the goals of stakeholder engagement suggested by the GRI's principles for defining the report content. According to Crilly et al. (2012), the companies were prone to show a 'muddling through' rather than a 'faking it' response (p. 1429) as a part of 'organizational *learning efforts*' (p. 1430). The 'muddling through' response is indicated by the companies' attempts to meet the GRI indicators for stakeholder engagement without a thorough understanding of the principles for defining the report content.

This section discussed the question of whether the report preparers decoupled their companies' stakeholder engagement disclosures from the actual practices. The discussion in this section has provided insights into an understanding of means-ends decoupling, which is a non-conformity response to institutional influences that tends to be unintentional. The research

findings revealed that the report preparers did not create and maintain a gap between claims (i.e., stakeholder engagement disclosures) and actions (i.e., stakeholder engagement practices). The companies set a policy to follow the GRI's indicators on stakeholder engagement and sought to follow them, as indicated by the greater number of disclosed than non-disclosed indicators. The companies' stakeholder engagement practices, as explained in the interviews were consistent with what was disclosed in their sustainability reports. This indicates that policy-practice or disclosure-practice decoupling did not exist. Instead, another type of decoupling is evident, known as means-ends decoupling. The ways the companies practised their stakeholder engagement (the means) deviate from the goals of stakeholder engagement, as suggested by the GRI's principles for defining the report content (the ends). The companies unintentionally overlooked stakeholder inclusiveness, the sustainability context, and the materiality and completeness principles that are required to be implemented as a new institution, rather than intentionally avoiding them. The next section summarises this chapter.

9.5. SUMMARY

This chapter discussed the research findings from the questionnaire survey, sustainability reports, and interviews to answer the research questions in this thesis. With regard to the main research question—'How do the preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting?'—the discussion shows that the report preparers attempted to embed stakeholder engagement in sustainability reporting in response to institutional influences. The GRI exerts *normative influences* about what aspects of stakeholder engagement ought to be disclosed in a sustainability report. The report preparers, assisted by their hired consultants, mimicked the peers they perceived as successful by box-ticking what they disclosed, which had *mimetic influences*. It is also evident that ministerial regulations exert *coercive influences* on stakeholder engagement in the mandatory CSR

programmes where the term sustainability reporting was considered identical, and was often mixed up with, CSR reporting. Foreign stakeholders (i.e., foreign customers and investors) demanding more sustainable business processes also exerted coercive influences.

The report preparers in Indonesia decided to adapt, instead of adopting, the GRI's global conception of stakeholder engagement in sustainability reporting. When bringing the global conception into the local context (the so-called translation process), the report preparers contextualised it into Indonesia's politicoeconomic, sociocultural and legal aspects. It is evident that the report preparers disclosed their companies' stakeholder engagement as practised in the sustainability report. However, they did not integrate stakeholder engagement into their strategy, governance and operations and stakeholder engagement practices deviated from the GRI's principles for defining the report content. From these standpoints, stakeholder engagement was loosely embedded in sustainability reporting.

Regarding the first research question—'How do the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement in sustainability reporting?'—the discussion shows that the perceived role of stakeholder engagement in sustainability reporting is twofold. First, there was their role in CSR programmes. The companies engaged with their stakeholders in planning, implementing and controlling the stages to assure that the CSR programmes were delivered to those who really needed them. Second, there was their role in the materiality assessment for defining the report content. The companies engaged with their stakeholders in the process of determining topics to be included in their sustainability reports. The process covers the identification, prioritisation, validation and review stages.

There was segregation between the internal and external stakeholders' roles in the companies' sustainability reporting because the report preparers conceived the reporting, in part, as a process of writing up a CSR report. The role of external stakeholders in the CSR programmes was greater than their role in defining the report content. In the meantime, internal

stakeholders took control of the process of defining the report content because writing up the CSR report was considered to lay in the companies' internal domain, which does not necessarily involve the external stakeholders.

In answering the second research question—'Do the preparers of sustainability reports in Indonesia decouple stakeholder engagement disclosure from practice in their sustainability reporting?'—the discussion shows that the companies being studied translated their stakeholder engagement practices into disclosures. In other words, the report preparers disclosed the companies' stakeholder engagement in their sustainability reports as practised. Therefore, disclosure-practice decoupling did not exist. However, the ways the companies practised their stakeholder engagement (the means) deviated from the goals of stakeholder engagement suggested by the GRI's principles for defining the report content (the ends). Indonesia's politicoeconomic, sociocultural and legal contexts induced the companies to unintentionally decouple their stakeholder engagement practices from stakeholder inclusiveness, the sustainability context, and the materiality and completeness principles: a phenomenon known as means-ends decoupling. The report preparers in Indonesia accepted the GRI's concept of stakeholder engagement in sustainability reporting by meeting the suggested indicators but unintentionally overlooked the principles for defining the report content required to implement stakeholder engagement as a new institution, rather than intentionally avoiding it.

CHAPTER 10

CONCLUSIONS

10.1. SUMMARY OF THIS THESIS

Prior empirical studies seem fragmental in studying the ways stakeholder engagement is embedded in sustainability reporting (see, for example, Mason and Simmons, 2014; Midin et al., 2017; Moratis and Brandt, 2017). Sustainability reporting frameworks (for example AccountAbility, 2015 and Global Reporting Initiative or GRI, 2013, 2016) suggest that companies translate stakeholder engagement into disclosure; integrate stakeholder engagement into strategy, governance and operations; and practise it in accordance with the principles for defining report content. There is a paucity of literature about how preparers of sustainability reports in developing countries embed the global conception of stakeholder engagement into their local institutional contexts (Davila et al., 2018; Kaur and Lodhia, 2019; Lodhia and Sharma, 2019). In response, this thesis aimed to understand the ways the preparers of sustainability reports in Indonesia embed stakeholder engagement in their sustainability reports. More specifically, this research sought to understand the perceived role of stakeholder engagement in sustainability reporting (i.e., the first research question) and ascertain if the report preparers decoupled stakeholder engagement disclosure from the actual practice (i.e., the second research question).

Chapter 2 presented the conceptual framework and outlined the institutional backgrounds of this research by presenting Indonesia's politicoeconomic, sociocultural and legal contexts. As the report preparers need to translate the global conception of stakeholder engagement into local institutional contexts, the practice of stakeholder engagement in

Indonesia may or may not conform to the disclosure guidance provided by the GRI (Heese et al., 2016; Jamali, 2010; Oliver, 1991). In the context of voluntary sustainability reporting, the report preparers may only follow the formal structure of stakeholder engagement disclosures, as guided by the framework to obtain legitimacy, but practise it differently. In other words, the disclosure-practice decoupling (Bromley and Powell, 2012) has the potential to exist. Chapter 4 discussed the use of the neo-institutional theory to illuminate the possible non-conformity (Ählström, 2010; Boxenbaum and Jonsson, 2017; Heese et al., 2016) and whether the potential decoupling was intentional or unintentional (Bromley and Powell, 2012; Gondo and Amis, 2013; Wijen, 2014).

Before discussing the underpinning theory, this thesis reviewed the extant literature of sustainability reporting and stakeholder engagement as a critical part of the reporting in Chapter 3. The literature review chapter highlighted that stakeholder engagement is crucial in sustainability reporting (Bellucci and Manetti, 2019; Thomson and Bebbington, 2005), to create mutual learning, understanding and commitment between the companies and their stakeholders regarding the sustainability concerns that are deemed paramount for both parties (Bellucci et al., 2019; Manetti, 2011; Puroila and Mäkelä, 2019).

Chapter 5 outlined the research methodology. This research used questionnaires, sustainability reports and interviews as the data collection instruments to answer the research questions. The questionnaire survey received 73 responses, giving a response rate of 12.7 per cent. Among them, 18 respondents voluntarily declared their willingness to participate in the interviews by providing their email addresses for further correspondence. However, three respondents were not able to be contacted. Therefore, the interviews were conducted with 15 respondents. There were 120 sustainability reports issued by those 15 companies from 2007 to 2018 that were analysed. They were written in English, Indonesian and also in the form of bilingual sustainability reports. The results of the questionnaire survey, sustainability reports

and interviews were analysed using descriptive statistics, content analysis and thematic analysis respectively. This research utilised mixed methods where the quantitative and qualitative inquiry processes were undertaken by placing a relatively equal emphasis on each process (Bell et al., 2019; Morgan, 2019).

Having analysed the collected data, chapters 6 to 8 outlined the research findings from the questionnaire survey, sustainability reports and interviews respectively. The chapters show that the report preparers were aware of stakeholders who were users of their sustainability reports and also influential in the companies' operations. Referring to a widely-used definition of stakeholders (Freeman, 1984), the report preparers conceived their stakeholders in part as those who influenced the companies' operations while seemingly disregarding those who were influenced by the companies' operations. The research findings show that companies demonstrated their responsibilities through corporate social responsibility (CSR) programmes to the local communities living in the areas where they operated. However, the CSR programmes contained economic self-interest, for example, expecting the local communities to become the companies' customers in the near foreseeable future, following the delivery of their CSR programmes. Therefore, the companies' engagement with local communities in their CSR programmes was symbolic instead of being authentic (Dawkins, 2015; Mason and Simmons, 2014).

Chapter 9 discussed the findings from the questionnaire survey, sustainability reports and interviews which were concurrently used to answer the research questions. Regarding the main research question, 'How do preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting?' the discussion shows that the report preparers attempted to embed stakeholder engagement in sustainability reporting as their response to coercive, normative and mimetic influences. The *normative influences* (De Villiers and Alexander, 2014) came from the GRI suggesting that the report preparers engage with the

companies' stakeholders and disclose the stakeholder engagement in the companies' sustainability reports. The *mimetic influences* (Jensen and Berg, 2012) came from the sustainability reporting consultants (so-called copywriters) assisting the companies to mimic stakeholder engagement disclosures prepared by peers they perceived as successful. The *coercive influences* (Midin et al., 2017) came from ministerial regulations on mandatory CSR programmes enforcing stakeholder engagement to ensure that the programmes were delivered to the external stakeholders that really needed help. The coercive influences also came from foreign stakeholders demanding more sustainable business processes.

The report preparers attempted to embed stakeholder engagement in sustainability reporting by translating the GRI's global conception of stakeholder engagement into Indonesia's politicoeconomic, sociocultural and legal contexts. Instead of adopting the global conception, the report preparers adapted it to the local institutional contexts. It is evident that the report preparers strived to disclose their stakeholder engagement. However, stakeholder engagement was loosely embedded in the companies' sustainability reporting for two reasons. First, stakeholder engagement was not integrated into the companies' strategy, governance and operations. Second, stakeholder engagement was not practised in accordance with the principles for defining the report content.

With regard to the first research question, 'How do the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement in sustainability reporting?' the discussion shows that there are two perceived roles of stakeholder engagement in sustainability reporting, namely the role in CSR programmes and the materiality assessment for defining the report content. It is evident that the companies segregated the role of external and internal stakeholders. The external stakeholders were engaged inclusively in the companies' CSR programmes whereas the internal stakeholders took control of the engagement for determining the material topics to be included in the companies' sustainability reports.

The companies being studied engaged inclusively with their relevant external stakeholders in planning, implementing and controlling their CSR programmes, because the ministerial regulations forced them to do so, as there were sanctions for non-compliance. In the process of determining topics to be included in their sustainability reports, the companies engaged with their stakeholders in the identification, prioritisation, validation and review stages. However, the internal stakeholders took control of the process through questionnaires and focus group discussions (FGDs). There was a lack of mutual learning, understanding and commitment between the companies and their stakeholders with regard to sustainability concerns (Bellucci et al., 2019; Manetti, 2011). Sustainability reports prepared in this way potentially included topics that were deemed material by the companies but which disregarded the stakeholders' concerns – the possible cause of Gunawan's (2010, 2021) expectation gap.

Concerning the second research question, 'Do the preparers of sustainability reports in Indonesia decouple stakeholder engagement disclosures from the practices in their sustainability reporting?' the discussion shows that the companies did not decouple their stakeholder engagement disclosures from their actual practices. The companies set a policy to follow the GRI standards (previously guidelines) and attempted to adhere to the GRI's indicators of stakeholder engagement. The research findings show consistency between the actual practice of stakeholder engagement, explained by the interviewees and the disclosure stated in the sustainability reports being studied. In other words, the disclosure-practice decoupling (also called policy-practice decoupling, see Bromley and Powell, 2012) did not exist in the companies being studied.

Yet, the ways the companies practise stakeholder engagement (means) are not in accordance with the goals of the policy (ends), i.e., the principles for defining the report content introduced by the GRI. The deviation of the stakeholder engagement practices from the stakeholder inclusiveness, the sustainability context, materiality and completeness principles

indicates the presence of a different type of decoupling, known as means-ends decoupling (Bromley and Powell, 2012; Wijen, 2014). The deviations from the principles were prone to being the result of contextualising the GRI's global conception of stakeholder engagement into Indonesia's corporate extended responsibilities and reporting.

In Indonesia's economic and social contexts, society expects the companies' CSR programmes to improve their quality of life (Erman et al., 2015). The report preparers admitted that external stakeholders, particularly the general public, paid more attention to what the companies contributed to society through their CSR programmes than what their CSR reports said. Therefore, stakeholder inclusiveness was emphasised more strongly in the companies' CSR programmes than in defining the report content. This deviates from the stakeholder inclusiveness principle in that the inclusiveness should also be implemented in defining the report content.

The report preparers believed that the companies inclusively engaged in various topics with both their internal and external stakeholders. A closer look at the stakeholder engagement disclosures in their sustainability reports shows that the engagement was in business-as-usual contexts rather than in the sustainability reporting context. This deviates from the sustainability context principle, in that the companies should engage with their stakeholders in a wider range of topics that become their stakeholders' concerns, beyond the business-as-usual or economic topics.

The report preparers conceived of sustainability reporting, in part, as a process of writing up a CSR report. The report writing was conceived of as lying in the companies' internal domains. Therefore, it was considered unnecessary for the external stakeholders to be engaged when the companies were preparing the report. The companies' interactions with their external stakeholders in business-as-usual and their CSR programmes were considered a sufficient basis for capturing their expectations and including them in the companies'

sustainability reports. This deviates from the materiality principle in that the companies should also engage with both the internal and external stakeholders in determining the material topics to be included in the companies' sustainability reports.

The companies' interactions with external stakeholders in their CSR programmes were conceived as references or materials to report their CSR programmes. Preparing sustainability reports in that way reflects what the companies expected their stakeholders to know about the companies, rather than showing the companies' impacts and responsibilities as expected by their stakeholders. In other words, the companies potentially reported only favourable information but disregarding anything unfavourable (Boiral and Henri, 2017). This deviates from the completeness principle, in that the companies should provide balanced information, both positive and negative, that matters to both the companies and their stakeholders.

The means-ends decoupling in this research tends to be unintentional and is a part of the companies' learning process instead of being intentional as a strategic response to conceal non-compliance with institutional pressures (Crilly et al., 2012). Indeed, the internal stakeholders took control in defining the report content, known as managerial capture (see Baker, 2010; O'Dwyer, 2003; Owen, 2000). It is also evident that the companies' engagement with external stakeholders in their CSR programmes contained economic self-interests (Mason and Simmons (2014). Overall, the companies' motivations for voluntary sustainability reporting were rather symbolic, in the sense that they were closely associated with an *intention* to enhance their corporate image (Dawkins, 2015; Roberts, 2003). The intention is considered a form of corporate strategic response to institutional influences.

Yet, stakeholder engagement was seemingly conceived as an opaque field (Bromley and Powell, 2012; Wijen, 2014) when it was contextualised in Indonesia's corporate external reporting setting. In line with a study by Crilly et al. (2012), rather than 'faking it'

(disclosing something different from the practice), the report preparers were 'muddling through' the GRI's global conception of stakeholder engagement (i.e., the report preparers attempted to meet the GRI indicators of stakeholder engagement without a thorough understanding of the principles for defining the report content). The report preparers being studied tended to conceive the GRI's stakeholder engagement indicators as technical prescriptions. Such technical prescriptions were so deeply institutionalised that they became ends in themselves (Pache and Santos, 2010). Consequently, the companies were prone to conduct a box-ticking exercise over the GRI's stakeholder engagement indicators when they were writing up their sustainability reports. This is indicated by the greater number of disclosed than non-disclosed indicators in the content analysis' results, even though sustainability reporting was voluntary in Indonesia.

The report preparers were confident that the companies had followed the GRI's stakeholder engagement indicators, i.e., identifying their stakeholders, engaging with them, disclosing the stakeholder engagement topics, and providing the list of materiality topics, among other indicators. However, the ways the companies identified their stakeholders, engaged with them, determined the materiality topics and the scope of the stakeholder engagement topics among other concerns, all deviated from the GRI's stakeholder inclusiveness, sustainability context and the materiality and completeness principles for defining the report content.

The main contribution of this research is that it provides insights into the ways companies embed their stakeholder engagement in sustainability reporting in more integral ways: by translating the practice into disclosure; integrating it into the company's strategy, governance and operations; practising it in accordance with the GRI's principles for defining report content (i.e., stakeholder inclusiveness, sustainability context, materiality and completeness); and translating its global conception into the local context. Besides, this

research provides insights into the presumption that 'companies report the practice' of stakeholder engagement as suggested by the GRI (2013, 2016) and the extant literature (see, for example, Bellucci et al., 2019; Greco et al., 2015; Kaur and Lodhia, 2018). They all suggest companies translate their stakeholder engagement into disclosure. However, just because the companies report their practices by making reference to the GRI standards (previously guidelines), it does not necessarily follow that the companies have conformed with the principles for determining the report content introduced by the GRI. When the companies attempt to translate the GRI's global conception of stakeholder engagement into their local institutional contexts, it is likely that the adapted practices deviate from the principles.

This research contributes to an understanding of decoupling in the social and environmental accounting literature using the neo-institutional theory. Prior studies (see, for example, Ählström, 2010; Luo et al., 2017) investigating the presence of decoupling found the disclosure-practice decoupling to be intentional corporate strategic responses to institutional influences. The means-ends decoupling found in this research offers insights of an unintentional non-acquiescent response to institutional influences (Bromley and Powell, 2012; Gondo and Amis, 2013; Stål and Corvellec, 2021; Wijen, 2014).

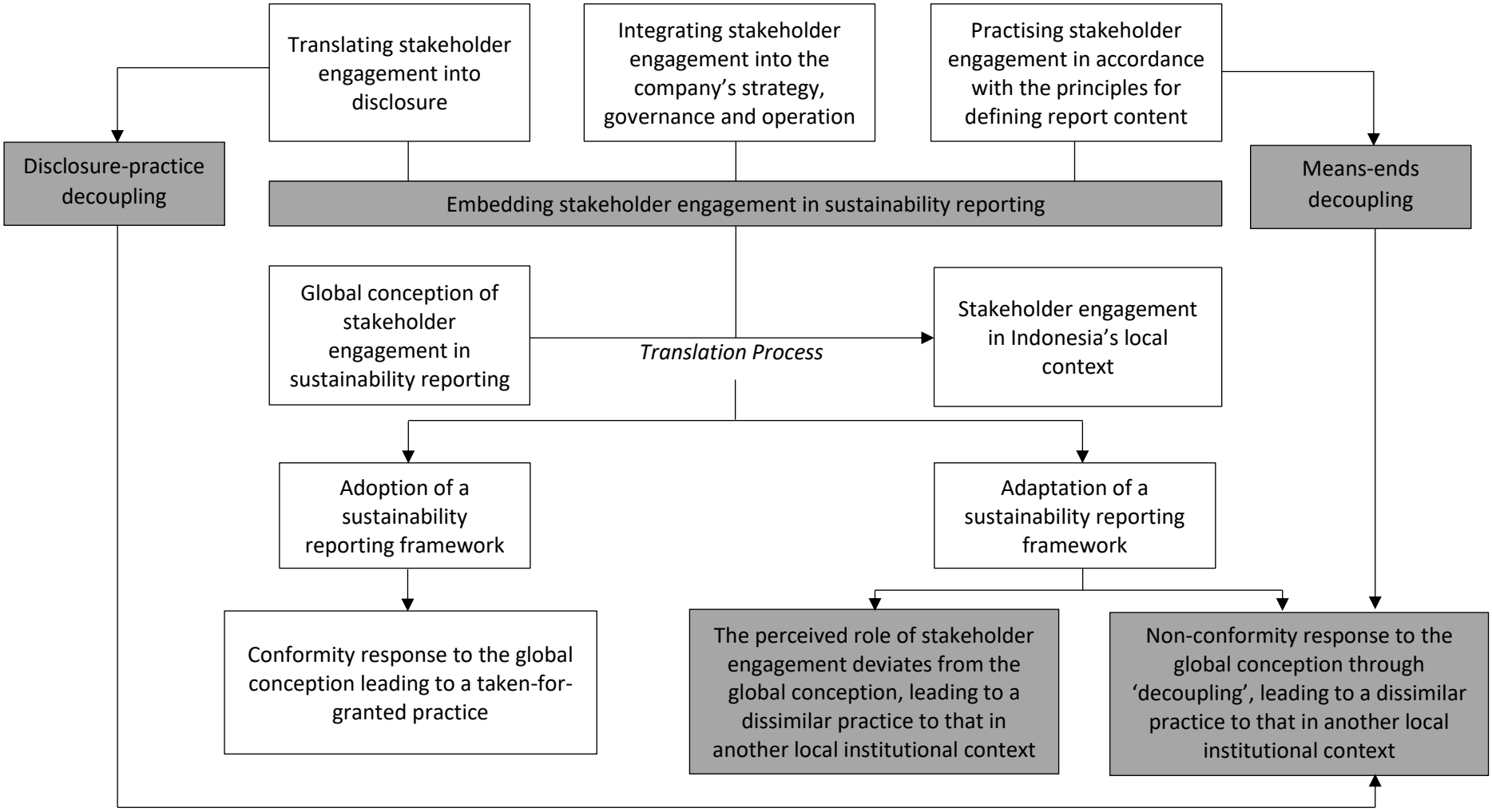
This research also offers a practical contribution by raising consciousness and reflection and calls for improvement action. In hindsight, the deviations in the companies' stakeholder engagement practices from the principles for defining the report content indicate that the GRI standards (previously guidelines) were adapted into local institutional contexts. The GRI, as a voluntary reporting framework, was conceived as technical prescriptions rather than being thoroughly understood. Accordingly, the companies adhered to the GRI indicators of stakeholder engagement by a box-ticking exercise without a thorough understanding of the principles for defining the report content. Such deviations found in this research could plausibly explain the expectation gap in sustainability reporting found in a study by Gunawan (2010,

2021). To narrow the gap, the consultants or copywriters hired by the companies could have gone beyond assisting the companies to collect the relevant data needed to meet the GRI's indicators of stakeholder engagement. The consultants could have shepherded the companies' stakeholder engagement to produce complete sustainability reports by assisting the companies to inclusively engage with their stakeholders beyond business-as-usual contexts and in determining the material topics to be included in the reports.

10.2. REVISITING THE CONCEPTUAL FRAMEWORK

The theoretical contributions discussed in the earlier section suggest that the conceptual framework outlined in Chapter 2 needs to be revisited. Figure 10.1 shows the revised conceptual framework. It is evident that the report preparers in Indonesia decided to adapt the global conception of stakeholder engagement in sustainability reporting to Indonesia's local institutional context. The adaptation indicates the non-conformity response to the global conception leading to a dissimilar practice to another local institutional context. This contrasts with a study by Abeydeera et al. (2016) who studied whether the global conception introduced by the GRI and the United Nations Global Compact (UNGC) or the local institutional context (Buddhist principles) influenced the sustainability reporting practised in Sri Lanka. Their study found that companies in Sri Lanka adopted the global conception, a form of conformity response, leading to a taken-for-granted practice following the global conception.

Figure 10.1
Revising Conceptual Framework



This research highlights that the translation process (i.e., the process of bringing a global conception to a local institutional context) can be in the form of adoption or adaptation. The decision to adopt the global conception of stakeholder engagement in sustainability reporting can be illuminated by the earlier version of the neo-institutional theory. It suggests that the global conception is perceived as an institutional 'myth' that companies need to take for granted as a solution of their organisational problems (see Boxenbaum and Jonsson, 2008; Meyer and Rowan, 1977). Such taken-for-granted behaviour in the adoption induces the conformity response to the institutional influence – leading to stable, recurring and similar practices (e.g., Contrafatto, 2014; DiMaggio and Powell, 1983; Midin et al., 2017).

In contrast, adapting the global conception into local institutional context means that the global conception is adjusted to the local values, beliefs, norms and rules in the translation process (Greenwood et al., 2011). The further development of the neo-institutional theory (see Oliver, 1991; Scott, 2014; Wooten and Hoffman, 2008) can illuminate the adaptation process where 'the original meaning of an organizational practice changes as individual members in the field incorporate these items into their own organization' (Wooten and Hoffman, 2008: 142). The theory allows the non-conformity response to the institutional influence – leading to dissimilar practices to different local institutional contexts (Oliver, 1991).

Indonesia's politicoeconomic, sociocultural and legal contexts influenced the perceived role of stakeholder engagement, and hence its practice in sustainability reporting. Since sustainability reporting was conceived of, in part, as the writing up of a CSR report, the internal stakeholders took control of the inclusion of stakeholders and the selection of sustainability information when defining the report content. The practice deviated from the stakeholder inclusiveness, sustainability context, materiality and completeness principles. Such

deviation from the principles indicates the non-conformity response leading to a dissimilar practice to another local institutional context.

To recap, disclosure-practice decoupling is not evident in this thesis since the report preparers in Indonesia disclosed their companies' stakeholder engagement as practised. They attempted to meet the GRI indicators of stakeholder engagement because they were conceived of as technical prescriptions. Instead of the disclosure-practice decoupling, means-ends decoupling is evident in this thesis. The ways the report preparers practised stakeholder engagement (means) deviated from the goals (ends) of stakeholder engagement (i.e., to facilitate the production of *complete* information in the sustainability report from *inclusive* stakeholder engagement in the *sustainability context*, including in the *materiality* assessment when defining the report content.

Prior studies using the neo-institutional theory discussed the disclosure-practice decoupling (e.g., Luo et al., 2017; Tashman et al., 2019). Decoupling disclosures from practices tends to be intentional to balance the need for legitimacy and internal technical efficiency (Jamali, 2010; Meyer and Rowan, 1977). This research highlights another type of decoupling, i.e., the means-ends decoupling. This type of decoupling tends to be unintentional as it is a part of the companies' learning process (Gondo and Amis, 2013). The means-ends decoupling found in this research was likely caused by the lack of a thorough understanding of the GRI's principles for defining the report content.

10.3. RESEARCH LIMITATIONS

The findings of this research have to be seen in light of some limitations. First, the limitation in the research's underpinning theory. The neo-institutional theory was used to illuminate the research findings. While the theory highlights the plausible non-acquiescent responses, which are rather symbolic, to institutional influences, the theory does not expand

the understanding of the use of symbolic powers (such as language, persuasive actions and even silence) in response to the tensions, contradictions and challenges that emerge from stakeholder engagement. Critical theories offer insights into unequal power relations with stakeholders. Nevertheless, the focus of this research was not on the unequal power relations between the companies being studied and their stakeholders, but on how the companies embed the global conception of stakeholder engagement into their local institutional contexts for sustainability reporting. Therefore, the neo-institutional theory, as a form of system-oriented theories, is capable of illuminating the research findings.

Second, limitations in the research methods. The response rate to the questionnaire survey was 12.7 per cent, which might be considered low. To improve the response rate, attempts were undertaken by hand-delivering hardcopies at the Indonesia Sustainability Reporting Award (ISRA) event in 2018 and sending a softcopy upon the request of a respondent. Despite the multiple attempts, however, the response rate was not significantly improved. The use of a binary disclosure index in the content analysis of sustainability reports also contained an inherent limitation. Even though the index was developed from the GRI's indicators of stakeholder engagement, the coding process relied on the researcher's judgement of whether each of the indicators is present or absent. To assure the reliability, the researcher undertook a test-retest procedure by repeating the same process with the content analysis a few months after the initial analysis. In the interviews, three survey respondents who initially declared their willingness to be interviewees could not be reached for interviews after the survey. They could not be replaced by respondents from other companies. The questionnaire survey responses were used as the basis for undertaking the interviews. Nevertheless, data saturation was achieved by interviewing 15 respondents.

Third, the perceived role of stakeholder engagement in sustainability reporting was only explored from the perspective of the preparers of sustainability reports. The emphasis of

this research was not on comparing the companies' claims and the shadow accounts emanating from the stakeholders' perspectives. Instead, this research sought to compare what the report preparers practised and disclosed with regard to their engagement with stakeholders.

Lastly, the motives for sustainability reporting and the means-ends decoupling were rather contradictive, in the sense that the former were prone to be intentional while the latter tended to be unintentional, in responding to institutional pressures. In response to the pressures, the companies being studied intentionally demonstrated good corporate images in their sustainability reports. The report preparers in Indonesia accepted the GRI's conception of stakeholder engagement in sustainability reporting by meeting the suggested indicators, but unintentionally overlooked stakeholder inclusiveness, the sustainability context and the materiality and completeness principles that required implementing as a new institution, rather than intentionally avoiding them. The lack of a thorough understanding of the GRI's principles for defining the report content could be seen as a part of the report preparers' learning process.

10.4. AVENUES FOR FUTURE RESEARCH

The embeddedness of stakeholder engagement in sustainability reporting studied in this thesis opens up several avenues for future research. Firstly, this research did not focus on the tensions arising when stakeholders' interests collide, nor was there an emphasis on companies' responses to managing stakeholder relationships. Future research may explore the issues of power relations in embedding stakeholder engagement in sustainability reporting by using critical theories, such as Bourdieu's symbolic power.

Secondly, sustainability reporting consultants play an important role in urging their clients to practise stakeholder engagement in accordance with the GRI's principles for defining the report content. Future research may explore the role of consultants in assisting their corporate clients to embed stakeholder engagement in their sustainability reporting.

Thirdly, the embeddedness of stakeholder engagement in sustainability reporting in this research was explored from the perspective of the report preparers. Future research can be focused on the creation of shadow accounts to explore the embeddedness of the companies' stakeholder engagement in sustainability reporting from the perspective of the external stakeholders.

Lastly, this research compared the practice of stakeholder engagement as explained by the report preparers in the interviews and that disclosed in their sustainability reports, to assess if the companies decoupled stakeholder engagement disclosures from their actual practices. Future research can conduct an ethnographic study to thoroughly understand the companies' interactions with their stakeholders in the whole process of sustainability reporting by being inside the companies.

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Presidential Decree No. 59 of 2017 concerning Implementation of the Achievement of the Sustainable Development Goals

Regulation of Minister of Energy and Mineral Resources No. 41 of 2016 concerning P3M in Mineral and Coal Mining.

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APPENDICES

APPENDIX 1

QUESTIONNAIRE (MICROSOFT WORD VERSION IN ENGLISH)

STAKEHOLDER ENGAGEMENT IN SUSTAINABILITY REPORTING

Section 1 of 4

In recognition of your company's position with regard to sustainability reporting, I am writing to you to ask for your participation in my research project on 'Stakeholder Engagement in Sustainability Reporting'. This questionnaire should be completed by a sustainability reporting manager or someone in an equivalent position. The time required to complete the questionnaire is about 10 minutes.

Please be assured that your identity and the company's name will be anonymised, and your answers in this questionnaire will remain strictly confidential. This project has been reviewed and approved by Durham University Business School for compliance with the research ethics guidelines.

Thank you in advance for taking time to complete this questionnaire. Please feel free to contact me via email: putu.a.ardiana@durham.ac.uk if you have any questions.

Sincerely,

Putu Agus Ardiana

Doctoral Student in Accounting
Durham University Business School
Durham, DH1 3LB
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Section 2 of 4

Respondent Demographics

Your answers in this section will be kept confidential in accordance with research ethics at Durham University Business School. Please give a tick symbol or checkmark in an appropriate box (☑).

Your current position in the company : .....

Sex : ☐ Male ☐ Female

Age range :
☐ 20 – 29 years
☐ 30 – 39 years
☐ 40 – 49 years
☐ 50 – 59 years
☐ 60 – 69 years
☐ 70 years or more

Your highest qualification :
☐ Elementary/High School
☐ Diploma
☐ Bachelor's Degree
☐ Master's Degree
☐ Doctoral Degree

Subject of your highest qualification (e.g., Accounting, Sociology) : .....

Your approximate total number of years of experience in CSR and/or sustainability reporting (including in previous institutions) :
☐ Less than 5 years
☐ 5 – 9 years
☐ 10 – 19 years
☐ 20 years or more

Section 3 of 4

Sustainability Reporting

Please give a tick symbol or checkmark in an appropriate box (☑).

1. How important does your company rate the following media to communicate economic, social and environmental issues?

	Extremely Unimportant 1	Very Unimportant 2	Unimportant 3	Somewhat Important 4	Important 5	Very Important 6	Extremely Important 7
a) Standalone sustainability reports							
b) Annual reports							
c) Corporate websites							
d) Brochures, booklets, pamphlets, Leaflets and flyers							
e) Social media (e.g., Facebook, Twitter)							

2. How important does your company consider the following factors in communicating economic, social and environmental issues in the chosen media for reporting?

	Extremely Unimportant 1	Very Unimportant 2	Unimportant 3	Somewhat Important 4	Important 5	Very Important 6	Extremely Important 7
a) Government regulations							
b) Requirements from certain institutions (e.g., Indonesia Stock Exchange/IDX)							
c) Sustainability reporting frameworks (e.g., Global Reporting Initiative or GRI Guidelines/Standards, AccountAbility AA1000 Standards)							
d) Pressures from stakeholder groups							
e) Initiatives and support from the CEO/board of directors/board of commissioners							
f) Practices of other companies in the same industry							
g) Total costs of preparing sustainability reports							
h) Overall benefits from preparing sustainability reports							
i) Time and effort for preparing sustainability reports							
j) Balanced disclosure between positive and negative issues							

3. How important does your company consider the following motivations for reporting economic, social and environmental issues?

	Extremely Unimportant 1	Very Unimportant 2	Unimportant 3	Somewhat Important 4	Important 5	Very Important 6	Extremely Important 7
a) To facilitate strategy formulation							
b) To facilitate communication and coordination across departments or divisions							
c) To improve financial performance							
d) To link between financial and nonfinancial performance							
e) To counter/mitigate negative publicity about the company							
f) To enhance the company's reputation and brand loyalty							
g) To communicate the company's social and environmental agenda and activities							
h) To comply with some mandatory requirements							
i) To create and maintain competitive advantages							
j) To promote transparency and accountability							

4. How does your company view the Indonesia Sustainability Reporting Award (ISRA)? You may tick more than one box.

	We think that the event is very beneficial and it is important to participate in it
	We don't know about the event
	We are not quite confident enough to participate in the event
	We don't see any benefit for our company from participating in that event
	We don't get any support from the CEO/board of directors/board of commissioners to participate in the event
	We have doubts about the assessment criteria used in the event
	Other: …….

5. How important does your company consider the following motivations for participating in the Indonesia Sustainability Reporting Award (ISRA)?

	Extremely Unimportant	Very Unimportant	Unimportant	Somewhat Important	Important	Very Important	Extremely Important
	1	2	3	4	5	6	7
a) To receive an objective assessment about the sustainability report's quality from the judges							
b) To enhance the company's reputation and brand image							
c) To signal to stakeholders that the company is serious about its sustainability reporting							
d) To improve the credibility (trustworthiness) of the sustainability report's contents							
e) To increase confidence in preparing sustainability reports							
f) To make it a barometer of sustainability's performance and the reporting's quality							
g) To attract more investment from investors							
h) To further improve the sustainability report's quality following the judges' feedback							
i) To create and maintain a competitive advantage							
j) To exchange ideas and build networks with ISRA participants							

6. Will your company start/continue to participate in the Indonesia Sustainability Reporting Award (ISRA)?

☐ Yes ☐ No

7. Does your company employ consultants for sustainability reporting?

☐ Yes ☐ No

Section 4 of 4

Stakeholder Engagement in Sustainability Reporting

Please give a tick symbol or checkmark in an appropriate box (☑).

8. How does your company consider the following stakeholder groups as the users of your company's CSR/sustainability reports?

	Extremely Undemanding User 1	Not Very Demanding User 2	Less Demanding User 3	Somewhat Demanding User 4	Demanding User 5	Very Demanding User 6	Extremely Demanding User 7
a) Netizens							
b) Academics							
c) Non-government organisations (NGOs)							
d) Media (e.g., TV, newspapers)							
e) Government							
f) Customers							
g) Employees							
h) Industry associations							
i) Local communities							
j) Suppliers							
k) Shareholders							
l) Creditors							
m) Investors							
n) Authoritative bodies (e.g., IDX)							
o) Wider society							

9. How does your company consider the following stakeholder groups that may influence your company's operations and performance?

	Not Influential at All	Not Very Influential Stakeholder	Less Influential Stakeholder	Somewhat Influential Stakeholder	Influential Stakeholder	Very Influential Stakeholder	Extremely Influential Stakeholder
	1	2	3	4	5	6	7
a) Netizens							
b) Academics							
c) NGOs							
d) Media (e.g., TV, newspapers)							
e) Government							
f) Customers							
g) Employees							
h) Industry associations							
i) Local communities							
j) Suppliers							
k) Shareholders							
l) Creditors							
m) Investors							
n) Authoritative bodies (e.g., IDX)							
o) Wider society							

10. How does your company engage with stakeholder groups in sustainability reporting? You may tick more than one method for every stakeholder group.

	Email	Brochure	Questionnaire	Dialogue	Partnership	Social Media
a) Netizens						
b) Academics						
c) NGOs						
d) Media (e.g., TV, newspapers)						
e) Government						
f) Customers						
g) Employees						
h) Industry associations						
i) Local communities						
j) Suppliers						
k) Shareholders						
l) Creditors						
m) Investors						
n) Authoritative bodies (e.g., IDX)						
o) Wider society						

11. How important does your company consider the following factors when choosing stakeholder engagement methods for CSR/sustainability reporting?

	Extremely Unimportant 1	Very Unimportant 2	Unimportant 3	Somewhat Important 4	Important 5	Very Important 6	Extremely Important 7
a) Costs and benefits of the approach							
b) Impact of the sustainability issue on the company and stakeholders							
c) Urgency of the sustainability issue for the company and stakeholders							
d) Accessibility of the engagement method by the stakeholders							
e) Expected participation/response rate							
f) Representativeness of the stakeholder group							
g) Competence of the stakeholders to speak and act							
h) Opportunity for the stakeholders to question and introduce any assertion, as well as to express their own attitudes, desires and needs							
i) Barriers that may prevent the stakeholders from exercising their own rights to speak and act							
j) Stakeholders' power/influence on the company's operations and performance							

12. Regarding the benefits of stakeholder engagement in CSR/sustainability reporting. Please give rank 1 (the most beneficial) to 5 (the least beneficial) to each of the following statement.

	To determine the material topics to be disclosed in the company's CSR/sustainability reports
	To jointly resolve the company's economic, social and environmental problems
	To validate (check and approve) the contents of the company's CSR/sustainability reports
	To collect information about the stakeholders' expectations and interests about the company's economic, social and environmental issues
	To help anticipate the company's future economic, social and environmental issues

13. How does your company view stakeholder engagement in CSR/sustainability reporting? Please tick one box that best describes your company's current view/perspective.

	A mechanism for providing information to the stakeholders about the company's economic, social and environmental issues
	A mechanism for gathering information about stakeholders' expectations of and interests in the company's economic, social and environmental issues
	A mechanism for two-way dialogue with the stakeholders about the company's economic, social, and environmental concerns
	A mechanism for two-way dialogue with the stakeholders to involve them in resolving the company's economic, social and environmental concerns
	A mechanism for empowering the stakeholders by including their representatives in the company's formal structure and involving them in the company's strategy formulation, operations and governance

14. Has the view/perspective of stakeholder engagement in sustainability reporting changed? For example, from a mechanism of collecting information from stakeholders to a two-way dialogue with stakeholders on CSR/sustainability issues?

☐ Yes, it has ☐ No, it has not

15. Regarding stakeholders in your company's organisational structure, do you think it is likely that your company will include representatives of the stakeholder groups (e.g., government, NGOs, academics, etc) in the formal organisational structure?

	Yes, it has been done
	Yes, highly likely
	Cannot decide with certainty
	Not possible

16. Regarding the relationship between your company and its stakeholders. How is your company currently viewing the role of the key stakeholders in CSR/sustainability reporting?

	The key stakeholders are the users of sustainability reports
	The key stakeholders, together with the company, are involved in determining the content of the reports as well as the users of the reports
	The contents of the reports are determined by the company while the key stakeholders only check and approve the content. The key stakeholders are the users of the sustainability reports
	The key stakeholders, together with the company, are involved in determining, checking and approving the content of the sustainability reports. The key stakeholders are the users of the sustainability reports
	Other: .....

17. Regarding stakeholder engagement disclosure in the sustainability reports, does your company disclose the identified stakeholder groups, the engagement methods, the engagement frequency and the engagement topics, among others?

	Yes, we fully disclose all the information in the CSR/sustainability reports
	Yes, but we only disclose the information partially (not fully) in the CSR/sustainability reports because the disclosure and the reporting are voluntary
	Yes, but we only disclose the information partially (not fully) in the CSR/sustainability reports because some information is confidential and/or sensitive and may pose a threat to our business
	Not disclosed at all in the CSR/sustainability reports

18. In the absence of a suggestion to disclose stakeholder engagement practices by sustainability reporting frameworks (e.g., GRI, AA1000), will your company continue disclosing them in CSR/sustainability reports?

	Yes, we shall continue engaging with stakeholders in CSR/sustainability reporting and disclose it fully in CSR/sustainability reports
	Yes, we shall continue engaging with stakeholders in CSR/sustainability reporting but not disclose it fully in CSR/sustainability reports
	No engagement with stakeholders hence no disclosure at all in CSR/sustainability reports

In addition to this questionnaire, I need to gain deeper insights through interviews.
Your identity in the interview will be strictly confidential.

Do you wish to participate in the interview?

☐ Yes, I do
(Please provide your email address for further correspondence about the interview schedule)

My email address for correspondence about the interview schedule

.....

☐ No, thank you

Thank you for your participation in this questionnaire survey.

Yours Sincerely

Putu Agus Ardiana (Durham University Business School)

APPENDIX 2

DISCLOSURE INDICES

A. Stakeholder Engagement Disclosures

No	Stakeholder Engagement Disclosures	Measurement	References
1	Stakeholder engagement section	1 if the report provides a stakeholder engagement section; 0 otherwise	G4-24 to G4-27; GRI Standard Disclosure 102 to 103; Bellucci et al. (2019)
2	List of stakeholder groups	1 if the report provides a list of or mentions stakeholder groups; 0 otherwise	GRI G4-24; GRI Standard Disclosure 102-40; Kaur and Lodhia (2014); Nason et al. (2018)
3	Basis for identifying and selecting stakeholder groups	1 if the report provides the basis for identification and classification of stakeholders; 0 otherwise	GRI G4-25; GRI Standard Disclosure 102-42; Kaur and Lodhia (2018)
4	Stakeholder engagement approaches	1 if the report mentions stakeholder engagement approaches; 0 otherwise	GRI G4-26; GRI Standard Disclosure 102-43; Kaur and Lodhia (2017)
5	Stakeholder engagement approaches specifically as a part of the report preparation process	1 if the report states stakeholder engagement approaches specifically as a part of the report preparation process; 0 otherwise	GRI G4-26; GRI Standard Disclosure 102-43; Manetti (2011)
6	Stakeholder engagement frequency	1 if the report points out the stakeholder engagement frequency; 0 otherwise	GRI G4-26; GRI Standard Disclosure 102-43; Kaur and Lodhia (2014)
7	Stakeholder engagement topics	1 if the report discloses key topics arising from stakeholder engagement; 0 otherwise	GRI G4-27; GRI Standard Disclosure 102-44; Miles and Ringham (2020)

No	Stakeholder Engagement Disclosures	Measurement	References
8	Linking stakeholder engagement topics and the identified stakeholder groups	1 if the report connects the identified key topics and the stakeholder groups who are concerned with the topics; 0 otherwise	GRI G4-27; GRI Standard Disclosure 102-44; Bellucci and Manetti (2019)
9	Company's response to stakeholder engagement topics	1 if the report states how it has responded to the identified key topics; 0 otherwise	GRI G4-27; GRI Standard Disclosure 102-44; Moratis and Brandt (2017)
10	List of material topics	1 if the report provides a list of the material topics; 0 otherwise	GRI G4-19; GRI Standard Disclosure 102-47; Torelli et al. (2020)
11	Explaining the process for defining the report content	1 if the report explains the process for defining the report content; 0 otherwise	GRI G4-18; GRI Standard Disclosure 102-46; Bellucci et al. (2019)
12	Explaining the implementation of reporting principles for defining the report content	1 if the report explains the implementation of reporting principles for defining the report content; 0 otherwise	GRI G4-18; GRI Standard Disclosure 102-46; Remmer and Gilbert (2019)
13	Stakeholder grievance mechanism	1 if the report mentions the mechanism used to receive grievances about the company's social and environmental impacts; 0 otherwise	GRI G4-EN34; GRI G4-LA16; GRI G4-HR12; GRI G4-SO11; GRI Standard Disclosure 103-2; Jain and Winner (2016)
14	Stakeholder feedback	1 if the report provides contact details to obtain feedback from the sustainability report readers; 0 otherwise	GRI G4-37; GRI Standard Disclosure 102-21; Nason et al. (2018)
15	Stakeholder engagement through social media	1 if the report mentions the use of social media platform(s); 0 otherwise	AccountAbility (2015: 32); Manetti and Bellucci (2016)

B. Stakeholder Mapping

No	Stakeholder Mapping Mechanism	Measurement
1	Undertaking stakeholder mapping in the reporting period	1 if the report mentions stakeholder mapping to identify stakeholders in the reporting period; 0 otherwise
2	Using the results of stakeholder mapping from previous period(s)	1 if the report states that the stakeholder identification in the reporting period is based on stakeholder mapping from previous period(s); 0 otherwise

C. The Identified Stakeholder Groups

Procedure:

1. Record all stakeholder groups mentioned in the reports being studied in the spreadsheet
2. Give 1 for the stakeholder group mentioned in the report, 0 otherwise
3. Stakeholder groups mentioned in less than 10 reports are classified as ‘others’

D. Criteria for Stakeholder Identification and Selection

Procedure:

1. Record all criteria for stakeholder identification and selection mentioned in the reports being studied in the spreadsheet
2. Give 1 for the criteria mentioned in the report, 0 otherwise
3. The criteria mentioned in less than 10 reports are classified as ‘others’

E. Stakeholder Engagement Approaches by Stakeholder Groups

Procedure:

1. Copy and paste the list of stakeholder groups in Panel C into other columns in the spreadsheet
2. Insert three columns about stakeholder engagement approaches (name them Informing, Consultation and Partnership) in every stakeholder group
3. Give 1 for Informing if the report mentions the following stakeholder engagement approaches, 0 otherwise:
   Brochures; pamphlets; leaflets; booklets; newsletters; e-newsletters; direct mail; local newspapers; magazines; press releases; websites; reports
4. Give 1 for Consultation if the report mentions the following stakeholder engagement approaches, 0 otherwise:
   Questionnaire surveys; email correspondence; call centres; online forums; peer reviews; training; meetings; gatherings; conferences; visits, hearings; focus group discussions; discussion forums; workshops
5. Give 1 for Partnership if the report mentions the following stakeholder engagement approaches, 0 otherwise:
   Partnership or stakeholder empowerment in various corporate social and environmental responsibility programmes

F. The Use of the 'Informing' Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the 'informing' approach across stakeholder groups in Panel E into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

G. The Use of the ‘Consultation’ Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the ‘consultation’ approach across stakeholder groups in Panel E into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports’ publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

H. The Use of the ‘Partnership’ Approach Between 2007 and 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the ‘partnership’ approach across stakeholder groups in Panel E into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports’ publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

I. Stakeholder Engagement Approaches Specifically in Report Preparation Process

Procedure:

1. Record all stakeholder engagement approaches specifically in the report preparation process mentioned in the reports being studied in the spreadsheet
2. Give 1 for the stakeholder engagement approach mentioned in the report, 0 otherwise

J. The Use of the Internal FGDs in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the internal discussions/workshops/FGDs in Panel I into a new worksheet
2. Sort the data A-Z (from 2007 to 2018 observations)
3. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
4. Prepare a bar chart

K. The Use of the Questionnaire Surveys in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the questionnaire surveys in Panel I into a new worksheet
2. Sort the data A-Z (from 2007 to 2018 observations)
3. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
4. Prepare a bar chart

L. The Use of the Feedback Forms in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the feedback forms in Panel I into a new worksheet
2. Sort the data A-Z (from 2007 to 2018 observations)
3. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
4. Prepare a bar chart

M. The Use of the Interviews in the Report Preparation Process from 2007 to 2018 by the ISRA Award-Winning and Non-Award-Winning Companies

Procedure:

1. Copy and paste the columns about the interviews in Panel I into a new worksheet
2. Sort the data A-Z (from 2007 to 2018 observations)
3. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
4. Prepare a bar chart

N. Stakeholder Engagement Topics by Stakeholder Groups

Procedure:

1. Copy and paste the list of stakeholder groups in Panel C into other columns in the spreadsheet
2. Insert three columns about stakeholder engagement topics (name them Economic/Business-As-Usual Topics, Social Topics and Environmental Topics) in every stakeholder group
3. Give 1 for Economic/Business-As-Usual Topics if the report mentions the following stakeholder engagement topics, 0 otherwise:
   Financial accountability; welfare (remunerations and benefits); mining technology and innovation; disbursement of funds for PKBL (*Program Kemitraan dan Bina Lingkungan* or the Partnership and Community Development Programme); transparency in the procurement of goods and services; commercial relations; contract fulfilments; product development; service quality; dividend payments; business development; anti-bribery and corruption; anti-money laundering; banking transaction security; customer satisfaction; tax payments.
4. Give 1 for Social Topics if the report mentions the following stakeholder engagement topics, 0 otherwise:
   Employment opportunities; career development; health and safety at work; partnerships with SMEs (small and medium-sized enterprises); community development
5. Give 1 for Environmental Topics if the report mentions the following stakeholder engagement topics, 0 otherwise:
   Climate change; use of water; energy saving; controlling emissions and pollutants; waste management; biodiversity; land restoration; reduce, reuse and recycle programmes

O. The Economic/Business-As-Usual Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018

Procedure:

1. Copy and paste the columns about the economic/business-as-usual topics across stakeholder groups in Panel N into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

P. The Social Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018

Procedure:

1. Copy and paste the columns about the social topics across stakeholder groups in Panel N into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

Q. The Environmental Topics Disclosed by the ISRA Award-Winning and Non-Award-Winning Companies Between 2007 and 2018

Procedure:

1. Copy and paste the columns about the environmental topics across stakeholder groups in Panel N into a new worksheet
2. Sum up horizontally to obtain scores for every observation (e.g., the score is three for COMP1 in 2007 showing 1 for shareholders, 1 for investors, 1 for employees, 0 for customers)
3. Insert a new column to convert the scores by giving 1 if the score $\geq$ 1, otherwise 0
4. The converted scores are sorted A-Z (from 2007 to 2018 observations)
5. Prepare three columns in the same worksheet. The first column is the sustainability reports' publication year (2007-2018). The second and third columns are for the award-winning and non-award companies respectively (the award-winning companies are COMP1, COMP10 and COMP14)
6. Prepare a bar chart

R. Company's Responses to the Disclosed Stakeholder Engagement Topics

No	Responses to Stakeholder Engagement Topics	Measurement
1	Proactive response	1 if the report mentions an action the company is doing to prevent/avoid an event that becomes a stakeholder engagement topic; 0 otherwise
2	Reactive response	1 if the report mentions an action undertaken following an event that occurred which became a stakeholder engagement topic; 0 otherwise

S. Ways to Explain the Process for Defining Report Content

No	Ways to Explain	Measurement
1	Explaining the materiality aspects by providing a figure which illustrates the development of a materiality matrix as depicted by GRI (2013: 12)	1 if the report explains the materiality aspects by providing a figure which illustrates the development of a materiality matrix as depicted by GRI (2013: 12); 0 otherwise
2	Explaining the process for defining report content by providing a figure depicted by GRI (2013: 32)	1 if the report explains the process for defining report content by providing a figure depicted by GRI (2013: 32); 0 otherwise
3	Explaining the process for defining the report content by mentioning the stakeholder engagement approach(es) used in every stage of the process	1 if the report explains the process for defining the report content by mentioning the stakeholder engagement approach(es) used in every stage of the process; 0 otherwise
4	Explaining the process for defining the report content but not mentioning the stakeholder engagement approach(es) used in every stage of the process	1 if the report explains the process for defining the report content but not mentioning the stakeholder engagement approach(es) used in every stage of the process; 0 otherwise

T. Explaining the Process for Defining the Report Content by Mentioning the Stakeholder Engagement Approach(es) Used in Every Stage of the Process

Procedure:

1. Copy and paste all stakeholder engagement approaches specifically in the report preparation process in Panel I into other columns in the spreadsheet (i.e., internal discussion/workshops/Focus Group Discussions or FGDs; surveys; interviews and feedback forms)
2. Give 1 for the stakeholder engagement approach mentioned in the report specifically for identifying sustainability topics, 0 otherwise
3. Give 1 for the stakeholder engagement approach mentioned in the report specifically for prioritising sustainability topics, 0 otherwise
4. Give 1 for the stakeholder engagement approach mentioned in the report specifically for validating sustainability topics, 0 otherwise
5. Give 1 for the stakeholder engagement approach mentioned in the report specifically for reviewing sustainability topics, 0 otherwise

U. Explaining the Implementation of the Stakeholder Inclusiveness Principle

No	Ways to Explain	Measurement
1	Identifying stakeholders	1 if stakeholders are identified in the report explaining the implementation of the stakeholder inclusiveness principle; 0 otherwise
2	Responding to stakeholder engagement topics	1 if the report explaining the implementation of the stakeholder inclusiveness principle states the company's response to stakeholder engagement topics (proactive, reactive or both responses); 0 otherwise
3	Disclosing internal discussion/workshops/FGDs in the identification stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use of internal discussion/workshops/FGDs to identify sustainability topics; 0 otherwise
4	Disclosing internal discussion/workshops/FGDs in the prioritisation stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use of internal discussion/workshops/FGDs to prioritise sustainability topics; 0 otherwise
5	Disclosing surveys in the prioritisation stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use of surveys to prioritise sustainability topics; 0 otherwise
6	Disclosing interviews in the prioritisation stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use of interviews to prioritise sustainability topics; 0 otherwise
7	Disclosing internal discussion/workshops/FGDs in the validation stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use of internal discussion/workshops/FGDs to validate sustainability topics; 0 otherwise
8	Disclosing feedback forms in the review stage	1 if the report explaining the implementation of the stakeholder inclusiveness principle mentions the use stakeholders' feedback about the company's published sustainability report to review sustainability topics; 0 otherwise

V. Explaining the Implementation of the Sustainability Context Principle

No	Ways to explain	Measurement
1	Disclosing economic/business-as-usual topics	1 if the report explaining the implementation of the sustainability context principle mentions the following stakeholder engagement topics; 0 otherwise: Financial accountability; welfare (remunerations and benefits); mining technology and innovation; disbursement of funds for PKBL; transparency in the procurement of goods and services; commercial relations; contract fulfilments; product development; service quality; dividend payments; business development; anti-bribery and corruption; anti-money laundering; banking transaction security; customer satisfaction; tax payments.
2	Disclosing social topics	1 if the report explaining the implementation of the sustainability context principle mentions the following stakeholder engagement topics; 0 otherwise: Employment opportunities; career development; health and safety at work; partnerships with SMEs; community development
3	Disclosing Environmental topics	1 if the report explaining the implementation of the sustainability context principle mentions the following stakeholder engagement topics; 0 otherwise: Climate change; use of water; energy saving; controlling emissions and pollutants; waste management; biodiversity; land restoration; reduce, reuse and recycle programmes

W. Explaining the Implementation of the Materiality Principle

No	Ways to Explain	Measurement
1	Providing the list of material topics	1 if the report explaining the implementation of the materiality principle provides the list of material topics; 0 otherwise
2	Presenting material topics into a materiality matrix	1 if the report explaining the implementation of the materiality principle presents the list of material topics into a materiality matrix; 0 otherwise

X. The Reported Material Topics

No	The Reported Material Topics	Measurement
1	The reported material topics ≤10 topics	1 if the report mentions the reported material topics are less than or equal to 10 topics; 0 otherwise
2	10 topics < the reported material topics ≤ 15 topics	1 if the report mentions the reported material topics are 11, 12, 13, 14 or 15 topics; 0 otherwise
3	15 topics < the reported material topics ≤ 20 topics	1 if the report mentions the reported material topics are 16, 17, 18, 19 or 20 topics; 0 otherwise
4	The reported material topics > 20 topics	1 if the report mentions the reported material topics are more than 20 topics; 0 otherwise

Descriptive Statistics	Measurement*
Maximum number of the reported material topics	Using the formula =Min(range) in the spreadsheet
Average number of the reported material topics	Using the formula =Average(range) in the spreadsheet
Minimum number of the reported material topics	Using the formula =Max(range) in the spreadsheet

* The reported material topics in each report were tabulated before determining the minimum, maximum and average values.

Y. Explaining the Implementation of the Completeness Principle

No	Ways to Explain	Measurement
1	Disclosing the scope of sustainability information	1 if the report explaining the implementation of the completeness principle mentions the scope of sustainability information; 0 otherwise
2	Disclosing materiality topics are within and outside the company's boundary	1 if the report explaining the implementation of the completeness principle mentions several material topics which are within the company's boundary while other material topics are outside the company's boundary; 0 otherwise
3	Disclosing materiality topics are only within the company's boundary	1 if the report explaining the implementation of the completeness principle mentions that all the material topics are within the company's boundary; 0 otherwise
4	Disclosing past events	1 if the report explaining the implementation of the completeness principle mentions about sustainability impacts or events which have occurred; 0 otherwise
5	Disclosing ongoing events	1 if the report explaining the implementation of the completeness principle mentions about ongoing sustainability impacts or events; 0 otherwise
6	Disclosing future events	1 if the report explaining the implementation of the completeness principle mentions about foreseeable future sustainability impacts or events; 0 otherwise
7	Disclosing the way to ensure the completeness of sustainability information by internal checking mechanism	1 if the report explaining the implementation of the completeness principle mentions an internal checking mechanism to ensure the completeness of sustainability information; 0 otherwise

Z. Obtaining Stakeholder Feedback

No	Ways to Obtain Stakeholder Feedback	Measurement
1	Feedback welcomed	1 if the report welcomes stakeholders' feedback; 0 otherwise
2	Contact details provided	1 if the report provides contact details; 0 otherwise
3	Feedback form provided	1 if the report attaches a feedback form; 0 otherwise

AA. The Use of Feedback

Procedure:

1. Record all the use of feedback mentioned in the reports being studied in the spreadsheet
2. Give 1 for the use of feedback mentioned in the report; 0 otherwise

AB. Grievance Mechanism Disclosures

No	Grievance Mechanism Disclosures	Measurement
1	Mechanism established to receive grievances	1 if the report mentions a mechanism established by the company to receive grievances; 0 otherwise
2	Total number of grievances received	1 if the report mentions the total number of grievances received; 0 otherwise
3	Total number of identified grievances addressed or resolved	1 if the report mentions the total number of identified grievances addressed or resolved; 0 otherwise

AC. Media Used Specifically for Receiving Grievances and Addressing/Resolving the Identified Grievances

Procedure:

1. Record all the media used specifically for receiving grievances and addressing/resolving the identified grievances mentioned in the reports being studied in the spreadsheet
2. Give 1 for the type of media mentioned in the report; 0 otherwise

AD. Type of Social Media Platforms

Procedure:

1. Record all the social media platforms used in sustainability reporting mentioned in the reports being studied in the spreadsheet
2. Give 1 for the social media platform mentioned in the report; 0 otherwise

AE. The Use of Social Media Platforms

Procedure:

1. Record all the use of social media platforms in sustainability reporting mentioned in the reports being studied in the spreadsheet
2. Give 1 for the use of a social media platform mentioned in the report; 0 otherwise

APPENDIX 3

INTERVIEW QUESTION GUIDELINES

Main research question	How do preparers of sustainability reports in Indonesia embed stakeholder engagement in sustainability reporting?
Research question #1	How do the preparers of sustainability reports in Indonesia perceive the role of stakeholder engagement in sustainability reporting?
Research question #2	Do the preparers of sustainability reports in Indonesia decouple stakeholder engagement disclosure from the practices in their sustainability reporting? Why or why not?

No	Interview Questions	Notes	References
1	Why does the company issue standalone sustainability reports?	These are the main questions to acquire insights from the report preparers in Indonesia about their experiences and perspectives on the voluntary sustainability reporting in Indonesia.	Questions 1 to 7 in the questionnaire survey. Sustainability reports issued by the companies being studied. Prior studies (e.g., Farooq and de Villiers, 2019; Qian et al., 2020). Literature on neo-institutional theory (e.g., Bromley and Powell, 2012; Wijen, 2014).
2	What do you think about sustainability reporting? Would the company continue undertaking sustainability reporting in the future?		
3	How did the company initiate sustainability reporting the first-time? What about the current sustainability reporting?		
4	Why did the company participate in the Indonesia Sustainability Reporting Award (ISRA)?		
5	What do you think about ISRA? Will the company continue participating in the event in the future?		

No	Interview Questions	Notes	References
6	Who do you think read the company's sustainability reports? Why do you think they are interested in reading the reports?	These are the main questions to obtain a thorough understanding of stakeholder engagement practices in the context of sustainability reporting from the perspective of the preparers of sustainability reports in Indonesia.	Questions 8 to 18 in the questionnaire survey. Sustainability reports issued by the companies being studied. Prior studies (e.g., Bellucci et al., 2019; Greco et al., 2015; Kaur and Lodhia, 2018). Literature on neo-institutional theory (e.g., Bromley and Powell, 2012; Wijen, 2014).
7	Who else other than shareholders do you think is important for the company? Why do you think they are important?		
8	How does the company engage with [local communities] in the context of sustainability reporting? Do you think it is possible not to engage with them for sustainability reporting? Why or why not?		
9	How does the company determine the contents of the company's sustainability reports? How do you assure that the company's sustainability reports meet the expectations of the company's stakeholders who read the reports?		
10	How does the company manage stakeholder relationships? When the stakeholders' interests are in conflict, whose interests would be prioritised? How does the company report the stakeholder relationships in the company's sustainability reports?		

APPENDIX 4

CODING MANUAL OF INTERVIEWS

Node Codes	Specific Codes	Summary of Key Findings	Examples
Reporting motivations	Transparency	Stakeholders appreciate the transparent communication of corporate sustainability through standalone sustainability report.	'Being a global company, [international organisations, which are COMP4's customers] demand greater transparency' (COMP4). '… the company wants to promote transparency… because a sustainability report does not only disclose technical issues… but also discloses financial and community issues… It is about buyers' demand…. You can see it in our report that the majority of our markets are in Asia and also in Europe' (COMP15).
	Awareness and support	The awareness of and the support from the companies' top management are critical for the companies' sustainability reporting.	'Awareness came from our board of director, our internal management, that the company is sensitive to social and environmental issues. Therefore, the company needs to report its sustainability and make administrative improvements' (COMP3). 'We really expect that our top management would be aware of sustainability reporting… even our VP [vice president for reporting and compliance] thinks that SR [sustainability reporting] is not too important… If the awareness reached the BoD [board of directors], the story would be different' (COMP10).

Node Codes	Specific Codes	Summary of Key Findings	Examples
	Compliance with requirements	The companies' voluntary sustainability reporting is triggered by regulatory; reporting award and training requirements.	'… we want to go beyond compliance. There are regulations about CSR [corporate social responsibility] imposing [CSR] disclosures in annual reports… we want to provide more information in our sustainability reports to stakeholders' (COMP7). '…because the ARA [Annual Report Awards] gives an extra five points in the assessment for more detailed sustainability disclosures… So, we decided to prepare SR [sustainability report] in addition to AR [annual report]' (COMP10). 'Well, when I said that our sustainability reporting was voluntary, actually it was not that voluntary. At that time, we attended a training course about how to prepare a sustainability report…. All the participants had to prepare sustainability reports, no excuses' (COMP6).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Institutional influences	Normative	There is an organisation that introduces GRI-based sustainability reporting through a training course.	'…we were introduced to the GRI [Global Reporting Initiative] by NCSR. Several employees of COMP1, initially about four people, were sent to participate in a training session to learn about the GRI.… From these four people, they spread their knowledge to their colleagues in the SR team… from that we had in-house workshops. We invited external speakers to train employees' (COMP1). 'In 2013, I attended a certification training on GRI-based sustainability reporting held by NCSR for three days. From that [training], I understand the importance of sustainability issues being exposed to the stakeholders, to reflect our commitment for sustainability' (COMP4).
	Mimetic	Companies being studied mimic the sustainability reports produced by other companies in Indonesia and overseas. The mimicked reports are considered as benchmarks and references.	'… we have references from Singapore, the United Kingdom. We observe and choose which model or combination of them' (COMP2). '… our consultant shows us some reports as our benchmarks' (COMP8).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Institutional influences	Coercive	The Indonesian government imposes mandatory CSR programmes and foreign stakeholders demand more sustainable business practices.	'Ministry of State-Owned Enterprises is interested in our CSR [corporate social responsibility]. The ministry monitors how we implement our [CSR] programmes.… Ministry of Energy and Mineral Resources is also concerned with our CSR with its P3M [*Program Pengembangan dan Pemberdayaan Masyarakat* or the Community Development and Empowerment Programme]' (COMP14). 'To be honest, actually investors, foreign investors more specifically. I have never found any demand from local stakeholders about our SR [sustainability reports] ... I think before making any investment, they want to make sure the company doesn't destroy the environment…' (COMP10).
		Foreign stakeholders demand the companies' sustainability reports more than their domestic counterparts.	'… foreign investors who are very concerned with not only the financial but also the social and environmental aspects' (COMP7). 'I would say our majority shareholders. This is because they are multinationals, public companies listed in Germany, so perhaps their investors demand SRs [sustainability reports] from all the subsidiaries' (COMP9).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Reporting benefits	No direct financial benefits	Direct financial benefits from sustainability reporting are difficult to measure	'Financially, it improves the profitability of [COMP1] indirectly from being known as a good company' (COMP1). 'Well, honestly, we have never measured directly about [the financial benefits of sustainability reporting]. In the past, this kind of question was directed to me if our sustainability report had a direct correlation with the company's profitability. Unfortunately, I don't know how to measure. We don't know if [COMP2]'s growth of business has something to do with our sustainability reporting' (COMP2).
	Reputation	Sustainability reporting gives companies some privileges by being perceived to be good/green companies.	'We believe that the [sustainability] reporting increases COMP4's international reputation' (COMP4). '[Sustainability reporting] improves [COMP5]'s reputation' (COMP5).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Reporting process	Start	Companies start preparing their sustainability report in the fourth quarter of the year by hiring a consultant/copywriter.	'We started our work in October [2017] with consultant selection for our SR [sustainability report] in 2017' (COMP12). 'Usually at the end of October-November, Investor Relations invite us to look for a consultant' (COMP2).
	End	Sustainability reports are ready in the first quarter of the following year.	'Usually up to late March [2018 for SR in 2017]' (COMP5). '… we decide when the report should finish, which was in March 2018 [for SR in 2017]' (COMP1).
	Ad hoc team	An ad hoc team comprising of cross-department members is formed by a decree from the directors.	'A team was then formed by a directors' decree, comprising of cross-department members' (COMP1). 'In November 2017, there was a directors' decree about an ad hoc team formation for SR [sustainability reporting].… Regarding the team, it comprises of members from different directorates' (COMP11).
	Data collection	Consultants/copywriters are hired to collect relevant data required to writeup the companies' sustainability report.	'[Being hired in October 2017 for sustainability reporting in 2017] … the consultant started to draft the contents of the report based on data collected by our contributors' (COMP8). All the material [across departments] is collected. A copywriter writes up [a sustainability report] from the material, discusses [with us] about [the report's] design, layout, paper type, colour and so on…. We provide the concept [about the content], the copywriter rewrites it and then returns it to us for further checking' (COMP2).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Reporting Process	Departmental coordination	Sustainability reporting involves the company's internal coordination across departments and the integration of data when the company prepares sustainability reports.	'Well, before we issue a report, we do coordination and have some meetings... we ask for data to them [related departments and divisions]' (COMP5). 'We have a task force team… I am the PIC [person-in-charge] and others meet here. We appoint the leaders of smaller groups to provide data that we need' (COMP13).
Stakeholder identification	To affect	Key stakeholders are those who contribute and are influential in the companies' operations.	'We can't say which one [among the stakeholders] is our primary stakeholder because we have to show our appreciation to everyone contributing to us' (COMP5). 'We see [our stakeholders] from their influence [on the company] .... For example, the government is our key stakeholder. The local and central governments with their corresponding influence on the company's CSR' (COMP8).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Stakeholder identification	To be affected	Key stakeholders are different for different situation.	'Important stakeholders will be determined by the situation. For example, if the target for tin ore is now high, the most important stakeholder may be the society surrounding the operational venue [i.e., the mining site]. Therefore, we should enlarge the realisation of our CSR there; we should do more intensive monitoring to know how we can help…. But, say, if [the target] is now reduced and employees are worrying [about their employment] then the most important stakeholders are the employees and labour unions. So, different main stakeholders for different situations' (COMP14).
	Stakeholders on the board	Companies place the representatives of stakeholder groups in their formal organisational structure.	'[The leader of a local community] was appointed to become a director of the company. Now, he is a commissioner of the company' (COMP15). 'There are the representatives of stakeholder groups in the company's organisational structure – as independent commissioners' (COMP4).
	Interest prioritisation	Companies prioritise shareholders' interests among the interests of other stakeholder groups.	'Of course shareholders ... this is because they put their money [in the company]' (COMP9). '[Sustainability reporting] was the company's initiative as a responsibility to our shareholders' (COMP15).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Stakeholder engagement methods	Feedback forms	Companies attach a feedback form to their sustainability reports but they never receive any response from their stakeholders.	'GRI G4 [Guidelines] requires us to attach it [a feedback form] [to the report], so we attach it....The fact that no one makes use of the feedback form or no one realises this form, that is their fault because we have include it' (COMP5). 'We always attach a feedback form to the report, but we never receive any feedback [from stakeholders]. Not at all' (COMP8).
	FGD	Companies undertake an FGD [focus group discussion] with internal stakeholders (the company's management across departments) to determine material topics to be included in the companies' sustainability reports.	''[Stakeholders' feedback] is the basis for us to talk about issues in the internal FGD of [COMP1] in order to bring up material issues which will be developed further in the SR [sustainability report]' (COMP1). '[The photo of FGD on page 19 in the company's 2015 sustainability report is about an activity] to determine the materiality aspects. There were about 35 people [attending the forum]. They were middle management to top management' (COMP7).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Stakeholder engagement methods	Questionnaire surveys	Companies conduct questionnaire surveys to obtain information about issues that matter for stakeholders. However, what topics included in the companies' report are at the discretion of the companies' management.	'Technically speaking, the results obtained from an FGD [focus group discussion], questionnaires, will be filtered into the material issues and they are grouped. Last year, we classified them into 10 groups. We presented those top 10 groups of material issues to our management. Management agreed with them and therefore they were included in our sustainability report' (COMP8). 'We decided to use questionnaires…. The rest [of the sustainability reporting process] was conducted by using our knowledge. We could approximate the interests of shareholders [and other stakeholder groups' (COMP9).
	Social media	Social media platforms are used by companies to engage with stakeholders in business-as-usual practices.	'If [customers] have any complaints about our products, they just need to mention us [on social media platforms], and we will follow it up' (COMP10). '[Social media is] just as a medium to deliver information about the company's [activities]' (COMP15).

Node Codes	Specific Codes	Summary of Key Findings	Examples
Stakeholder engagement roles	CSR programmes	External stakeholders are engaged in the CSR programmes.	'Stakeholders, for example, the local governments, are involved in *Musrenbang* [*Musyawarah Perencanaan Pembangunan* or dialogue on development planning] to talk about what we are planning next year [with regard to the company's CSR programmes]' (COMP3). '…we consider the external stakeholders in determining the CSR programmes. So, what the needs of the society surrounding the palm oil plantation are, these will be obtained by our CSR Officer there and then sent to Jakarta' (COMP7).
	Materiality assessment	Internal stakeholders take control of the materiality assessment for defining the report content.	'… technically, they [the company's external stakeholders] are not involved in preparing our reports' (COMP2). 'Preparing the report is the work of the company's internal ad hoc team' (COMP11). 'We try to determine what we think is material for them [the company's external stakeholders]' (COMP1)

Node Codes	Specific Codes	Summary of Key Findings	Examples
Stakeholder relationships	Harmonious relationships	Companies maintain harmonious relationships with their stakeholders over time (i.e., motherhood and apple pie).	'I have been working here for more than 20 years and there have never been employee demonstrations, indicating that the employees' satisfaction is high' (COMP4). 'We never find any conflicting interests. [Stakeholders] want us to remain sustainable' (COMP12).
	Tensions	Companies acknowledge that different stakeholders have different interests.	'It is quite difficult to engage with [government authorities] … local governments tend not to be willing to spend money, but they want to have their areas developed' (COMP3). '[The House of Representatives and Ministry of Finance] want the heavy lifting but low costs. They want that condition and we wish this too, but operationally that condition is difficult to achieve' (COMP13).
	Accommodative responses	Companies respond to the divergent stakeholders' views by accommodating their interests.	'I see each stakeholder has different intentions.… We try to synchronise and accommodate the expectations of stakeholders' (COMP2). '… we accommodate those interests by sitting and talking together so no one feels offended' (COMP5).

APPENDIX 5

LETTERS ISSUED BY DURHAM UNIVERSITY BUSINESS SCHOOL

A) PERMISSION LETTER TO CONDUCT FIELD WORK

Durham University Business School

LEADING BUSINESS THINKING

Ref: LJS/000629635

01 February 2018

Dear Sir/Madam,

Name of Student: Putu Ardiana
Student Number: 000629635

We can confirm that Putu Ardiana is a registered student at the above named University. The name of the awarding body is Durham University.

Course Details:

Name of Course:	PhD Accounting – N4A001
Type of Course:	Postgraduate Research Degree
Mode of Study:	Full-Time
Year of Study:	2
Supervisors:	Prof Richard Slack & Prof Carol Adams
Research Title:	"Institutionalisation of Stakeholder Engagement in Sustainability Reporting: Case of Indonesia"
Start Date:	01 October 2016
End of Supervised Study:	30 September 2019
Thesis Submission Deadline:	30 September 2020

We confirm that Putu Ardiana is an active student on the above named programme currently in the data collection stage for the PhD thesis through questionnaires and interviews. Putu Ardiana is expected to submit by the 30 September 2020 followed by a viva examination scheduled within three months after the submission.

Please do not hesitate to contact us should you require any further information.

Signed:

Name: **Louise Snaith**
Position: **Doctoral Programmes Coordinator**

Durham University Business School

Contact information -
Prof Richard Slack: richard.slack@durham.ac.uk
Prof Carol Adams: carol.adams@durham.ac.uk
business.doctoral@durham.ac.uk

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B) ETHICS CLEARANCE LETTER

Durham University Business School

BETTER BUSINESS THINKING

Putu Agus Ardiana (student)
c/o Professor Richard Slack and Professor Carol Adams
Durham University Business School

12 July 2017

Dear Putu:

Project title:
"Institutionalisation of stakeholder engagement in sustainability reporting: case of Indonesia"

I would like to confirm that your project has been granted ethics approval as it has met the review conditions. You would however still need to get separate approval from relevant gatekeeper(s) to conduct the empirical work you have proposed, as ethics approval does not guarantee automatic access.

Should there be a material change in the methods or circumstances of your project, you would in the first instance need to get in touch with me for re-consideration and further advice on the validity of the approval.

I wish you the best of luck on the completion of your research project.

Yours sincerely,

[electronic signature by email]
Dr Danny Chow
Chair of the ethics sub-committee

Email: danny.chow@durham.ac.uk
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APPENDIX 6

CONSENT FORM

Durham University Business School

CONSENT FORM

Title of research project:
Institutionalisation of stakeholder engagement in sustainability reporting: case of Indonesia

Name and position of researcher:
Putu Agus Ardiana, doctoral student in accounting at Durham University Business School, United Kingdom

	Please tick appropriate box	
1. I confirm that I have read and understood the information sheet for the above study and have had the opportunity to ask questions.	☐ Yes	☐ No
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving reason.	☐ Yes	☐ No
3. I agree to take part in the study.	☐ Yes	☐ No
4. I agree to the interview being audio recorded.	☐ Yes	☐ No
5. I agree to the use of anonymised quotes in publications.	☐ Yes	☐ No

Name of participant:	Date:	Signature:
_____	_____	_____
Name of researcher:	Date:	Signature:
Putu Agus Ardiana	_____	_____