

Chapter 5

Conclusion and Recommendation

5.1 Conclusion

With the existence of Indonesian FSA, companies are now mandated to publish either separated or integrated Sustainability report. However since this is a new regulation, companies in Indonesia is still in the adoption process of the disclosures of Sustainability report. Therefore, they need time and human resource to produce the standardized Sustainability report that is in accordance to GRI Guidelines. Currently, only public companies are mandate to disclose sustainability report.

The end of this research answers the following research question:

Research Question:

How does the existence of the regulation of Indonesian FSA influence the integration of sustainability in publicly listed companies in Indonesia?

The Publicly Listed companies are aware of the Indonesia FSA new regulation regarding the disclosure of Sustainability reporting. As the time frame that the author used for this research is year 2011 and 2012, there is slight decrease in the separate sustainability report disclosure from 15 reports in 2011 to 12 reports in 2012 in which only 9 companies out of 100 publicly listed companies in Indonesia disclose the separated sustainability report. On the other hand, there is a slight increase of the integrated report disclosure which is 63 companies in 2011 to 70 companies in 2012. With this results, it implies that publicly listed companies are aware about the rules and

regulation of Indonesian FSA, therefore they are starting to adopt the disclosure of Sustainability report in accordance to GRI guidelines. This small rise of report disclosure acts as a starting point even though it is just a mere 7% increase.

In addition, in terms of the integration of the quality of the sustainability reporting disclosed by the company shows improvements from year 2011 to 2012. From the 9 companies that produce separate sustainability report shows different level of indicator application of Sustainability reporting in accordance with GRI guidelines. Based on industry, we can see that Oil, Coal and Mining Industry shows a comprehensive unit applied in all indicators (SD, EC, EN, SO), but not much from other industry. Furthermore, social (SO) indicator from the GRI guidelines remains very limited; it is caused by the community development in majority. In general with this result, we can conclude that companies are aware of the need to disclose approach regarding sustainability.

The regulation of Indonesian FSA mandating the disclosures of Sustainability reporting is to control and to have a tight link into company management tools. The information generated by the companies acts as corporate control, environmental, economic, and social performance indicators in which shows the overall picture, the Strategic control. Each of its perspective links to the realms of finance, marketing, operational or process management, human resource and issues management of the firm, therefore this will enhance both effective and efficient environmental and social management and sustained economic success. Overall, The FSA regulation provides strong tool for an integrated management. It helps significantly to overcome the

shortcomings of the often-parallel approaches of environmental, social and economic management system implemented in the past.

In conclusion, there is not much influence that is brought by Indonesian FSA regarding mandatory disclosure of sustainability reporting. Although this study prove that there is an increase number of disclosure from 2011 to 2012, the influence of the existence of Indonesian FSA are supposed to be stronger that more increases in report disclosure should occurred.

5.2 Constraint

Time Constraint

Due to the limited time given for this research and analysis, data that are collected is retrieved from the internet and not from the company directly.

Size of the Sample

This research analyzes Indonesian Top 100 publicly listed companies based on Kompas 100 for 2 consecutive years. Therefore the research is only revolving within the Top 100 publicly listed company from Kompas 100.

5.3 Suggestions

Government bodies (Indonesian FSA)

- Put more attention towards concept of sustainability and its framework
- Implement compulsory disclosure on Sustainability; Set deadline for reports, and adoption timeframe for non public companies.

5.4 Avenues for Future Research

- Obtain a larger sample size.
- Perform more in depth indicator application level analysis for the sustainability report and its relationship