Chapter 16
Sustainability, *Sharī'ah* Governance and Financial Performance: Evidence from Companies Listed on the Jakarta Islamic Index

Zuraida Zuraida and Asna Husin

Sustainability has become a mainstream concern in both the business and academic settings in recent decades. Professional bodies and Institutional investors also recognize the importance of sustainability factors as a driving force for improving company values (Bernow, Klempner, & Magnin, 2017). In addition, sustainability issues have become even more significant for long-term investors. Similarly, academic institutions and scholars devoted a long list of studies examining the impact of sustainability performance on companies. Researchers interested in Islamic finance and *Sharī'ah* governance have also contributed to the richness of sustainability studies. The latter focus primarily on the role of Islamic financial institutions and Muslim entrepreneurial activities in advancing sustainability.

Our study on sustainability, *Sharī'ah* governance and financial performance in the context of the Indonesian financial market explores two sets of relationships: sustainability practices and the financial performance of companies under consideration, as well as their *Sharī'ah* compliance and financial performance connecting the second set with sustainability concerns. We seek to answer the main research question of whether sustainability, Islamicity and profitability together work complementarily or adversely. Numerous studies have positively linked sustainability practices and financial performance (Ali, Danish, & Asrar-ul-Haq, 2020; Buallay, 2019; Fauzi & Idris, 2009; Lukman, Suhendah, & Evan, 2020; Waddock & Graves, 1997; A. J. Wibowo, 2012). However, research on *Sharī'ah* governance in relation to financial performance is limited (Jan, Marimuthu, & Hassan, 2019a, b; Zyadat, 2017), while

Z. Zuraida
Department of Accounting, Faculty of Economics and Business, Syiah Kuala University, Darussalam, Banda Aceh, Indonesia
e-mail: zuraida@feb.unsyiah.ac.id

A. Husin (✉)
Department of Arabic, School of Tarbiyah and Education, Ar-Raniry State Islamic University, Darussalam, Banda Aceh, Indonesia
e-mail: asna.husin@ar-raniry.ac.id

T. Azid et al. (eds.), *Wealth Management and Investment in Islamic Settings*,
https://doi.org/10.1007/978-981-19-3686-9_16

an inquiry combining sustainability, Islamic principles and financial performance is even rarer, especially when it is applied to the Indonesian context. This study fills this gap.

16.1 Sustainability and Corporate Financial Performance

Since the term 'sustainability' has not yet received a univocal definition, our review therefore draws on studies linking corporate financial performance with sustainability utilizing several terms, often used interchangeably by researchers to indicate this concept. The most common are: corporate social responsibility (CSR); 'environmental, social and governance' (ESG); 'corporate social performance' (CSP); and 'socially responsible investment' (SRI), in addition to the term 'sustainability' itself.

One can observe some inconsistencies in the current literature, however most of them are related to the measurement technique. Corporate social performance (CSP) is a multi-dimensional construct whose behavior starts from the internal (e.g. treatment of women and minorities) to external behavior (environmental strategy). However, the measure used in some empirical works was often one-dimensional (such as corporate governance only). This problem is exacerbated when this one-dimensional procedure is applied to a small sample size.[1] It becomes even more problematic when it is utilized on a survey methodology which usually has inherent problems with the response rate. To address the above measurement problems, Waddock and Graves (1997) proposed a self-constructed index. It measures CSP and corporate financial performance attributes based on the Kinder, Lydenberg, and Domini (KLD) database which provides consistent scores across the entire Standard and Poors 500. They find that CSP is positively related to both previous and future financial performances.

However, much consensus has been established on the positive impact of sustainability practice on financial performance. Ali et al. (2020) find that corporate social responsibility has a significant effect on the company's financial performance. They suggest that this positive correlation stems from a positive image created among stakeholders, thereby lowering overall costs as a result of disclosing sustainability factors. Buallay (2019) shows a significant positive impact of aggregate ESG disclosure on corporate financial performance, while the environmental disclosure specifically has a positive effect on the 'Return on Assets' and 'Tobin's Q'. In contrast, social disclosure demonstrates a negative effect on ROA, ROE and Tobin's Q, while corporate governance disclosure has a negative effect on ROA and ROE, but a positive effect on Tobin's Q. This reveals on the one hand, the complexity of issues being studied, and on the other hand that the results are being affected by measurement proxies. The inconsistencies can also occur because 'Return on Assets' and 'Return on Equity' have different exposures to the economic environment. ROA—being the

[1] The small sample size provides lower statistical power thus reducing the likelihood of detecting the true effect and replication of study results (Button et al., 2013).

income earned per dollar deployed—may be less influenced by the capital structure, and thus by the economic circumstances. In contrast, ROE—being the net profit realized by the shareholders for every dollar invested—may be more susceptible to economic pressure. This is due to the fact that a portion of the company's capital may have come from borrowing in addition to investment by shareholders; therefore there is leverage involved when measuring ROE. In a good economic condition ROE is high due to the leverage effect, while in a declining economy it tends to be low. This effect can also lead to inconsistencies in research findings.

Research on sustainability issues in relation to financial performance in Indonesia is still rare, but a few have investigated this matter based on data collected from sub-segments of sustainability. Lukman et al. (2020) explore forty-five manufacturing companies listed on the Indonesia Stock Exchange, looking at the effect of their environmental performance reporting (EPR) and CSR activities on their financial presentation as measured by 'Return on Assets'. Their study assesses the data provided by the Indonesian Ministry of Environment and Forestry through its Environmental Management Rating Program (PROPER) that measures corporate sustainability practices. The forty-five firms during 2014–2015 are rated according to the PROPER rating system from best to worst as gold, green, blue, red, and black. This shows that corporate CSR activities produce no effect on financial performance, while sustainability disclosure does have a positive consequence.

The inconsistencies in such studies may alternatively be explained from the perspective of modern 'portfolio theory', which maintains that the objective of investment is to maximize profits and wealth. This theory emphasizes the importance of reducing risk for better returns, which can be achieved through diversification and other means. It further asserts that any restrictions imposed on investments have the potential for a lower performance, implying that sustainability practices by companies reduce their ability to choose certain profitable business strategies or pursue tactical risks. Thus, the mixed results shown in previous studies are consistent with this theory's belief that firms implementing sustainable practices have restricted themselves from choosing more profitable strategies and thereby suffer in their financial performance. Daugaard (2019, p. 15) and Barnett and Salomon (2006) stated as: "The returns initially fall as a fund manager increases their [his or her] screening intensity from weak to medium, but then returns rise again as the screening intensity becomes higher."

In contrast to the above analyses, Wibowo (2012) analyzed twenty-five companies from the SRI-Kehati index on the Indonesia Stock Exchange (2005–2010) and finds a significant relationship between CSR and profitability. Employing ROA as a proxy for financial performance, Wibowo discovers that there is a positive relationship between CSR disclosure and corporate profitability, and vice versa. Likewise, positive results were also demonstrated by the inquiry conducted by Fauzi and Idris (2009) on the relationship between corporate financial performance (CFP) and corporate social performance (CSP). Using a questionnaire-based survey with respondents consisting of managers from state-owned enterprises (Badan Usaha Milik Negara—BUMN) and from private companies, their research found a positive relationship between financial performance and social consciousness.

Despite such lingering inconsistencies, a number of researches investigating the relationship between sustainability and financial performance presented here have reported positive findings. These optimistic results are in line with several other theories such as 'agency theory', 'legitimacy theory' and 'signaling theory'. These three theories imply that sustainability disclosure by a company produces a positive image, shields it from negative public scrutiny and lawsuits, and enhances public acceptance, which in turn augments the company's attraction and sales. Since efficiency, acceptability and legitimacy can also have an impact on financial performance. On the basis of above arguments we develop our first hypothesis as:

H1: Sustainability practice has a significant positive relationship with financial performance of the companies listed on the Indonesia Stock Exchange under the Jakarta Islamic Index. This relationship is moderated by the level of Islamic practice.

16.2 *Sharī'ah* Compliance and Corporate Financial Performance

This segment reviews the literature on Islamic Finance in relation to corporate sustainability practices, with reference to Muslim majority nations. The text sources in this specific field are still scanty, based, however, researchers tried to establish a solid alliance between sustainability practice and *Sharī'ah* application on the corporate financial outlook. They explained this three-dimensional relationship (sustainability, *Sharī'ah*-compliance, and profitability) utilizing various performance measures. Jan et al. (2019a, b) explore the relationship between sustainability practice and financial performance of Malaysian Islamic banking for the period of 2008–2017. Looking from the three different perspectives of management, shareholder and market, they argued that company financial performance can be measured by various financial ratios to indicate its business outlook: 'Return on Assets' points to the nature of the management; 'Return on Equity' to the benefits of the shareholders; and 'Tobin's Q' from the market view point. They find a significant and positive relationship between sustainability practices and financial indicators, suggesting good management practices by the banking industry as well as healthy returns for the shareholders. This study found that the impact of sustainability on the market is insignificant. Conducting an in-depth analysis to learn the reason for the above inconsistencies, they learnt that market participants are not appreciative of the bank's appropriation of its resources to fulfill its social and environmental efforts. The market views that the bank is institutionalized to make profits and to maintain its own economic sustainability without regard to social and ecological responsibility. Zyadat (2017) analyzes the effect of sustainability on the financial performance of Jordanian Islamic banking during the period 2008–2014. He collects the data from the country's two major Islamic institutions, namely the Jordan Islamic Bank and the Arab Islamic Bank. This study finds a statistically significant positive effect of sustainability on financial performance as measured by ROA and Earnings per Share (EPS), but demonstrates a negative outcome when measured by ROE. Ur Rehman et al. (2020) investigate

the impact of corporate social responsibility disclosure on financial performance in the Islamic banking industry in Pakistan from 2012 to 2017. They find a significant negative relationship between aggregate sustainability disclosure and corporate financial performance. Nevertheless, when observed individually the disclosure of the environmental and economic dimensions reveals a meaningful positive effect on the bank's financial performance, while the disclosure of social practices does not positively affect its financial performance. Listyaningsih and Krishnamurti (2015) examine the performance of shares in the Indonesia Stock Exchange by dividing the data into two periods: the 2005–2007 phase consisting of JII and non-JII groups, and the 2008–2012 period comprising three groupings of JII, *Sharī'ah* and non-*Sharī'ah*. This study finds no difference in financial gains between investing in conventional or in Islamic stocks.

Given the inconsistencies of these research findings, several points should be considered. First, the different measurements of input variables, such as aggregate and individual sustainability disclosures, and of outcome variables, such as different performance measures, may have contributed to inconsistent results in previous studies. Secondly, incomplete reporting on sustainability and *Sharī'ah* practices by corporations could also be another reason for the limited association between these two practices (sustainability and Islamicity) and financial performance. Peng and Isa (2020) pull ESG scores from the Thomson Reuters ASSET4 database that provides a higher degree of robustness, accuracy, consistency, and validity of information. They examine the impact of sustainability practices on the financial performance of four hundred sixty-one Islamic companies from 20 different countries listed on the MSCI World Islamic Index during the period 2010–2017. Their analysis reveals that the ESG aggregate and its individual components are positively related to the firms' financial performance and suggest that ESG and *Sharī'ah* screening could increase the firm's value, promote more ethical, responsible and transparent practices, and thereby create new markets for potential investors. In addition, both sustainability practices and *Sharī'ah* performances have recently become business strategies for several global large companies due to high demand from their stakeholders. This suggests that companies that comply with these requests will provide good signals to stakeholders, who will eventually value their corporate sustainability and Islamic practices. Therefore, our second hypothesis is:

> H2:Islamic practice has a significant and positive relationship with financial performance of companies listed on the Indonesia Stock Exchange under the Jakarta Islamic Index. Islamic practice also moderates the relationship between sustainability practice and financial performance.

16.3 Conceptual Framework

Figure 16.1 illustrates the the relationship between sustainability and Islamic practice, and the financial performance of selected companies listed on the Jakarta Islamic Index for the period of 2015–2019. In this model, one independent (ESG scores

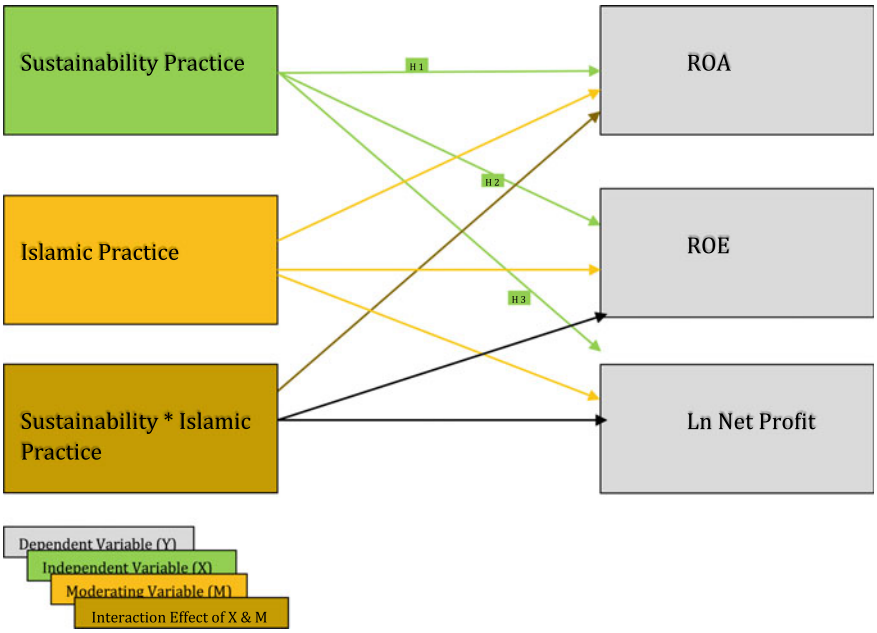

Fig. 16.1 Conceptual framework of the sustainability study

based on the Global Reporting Initiative (GRI) standards), three dependent (Return on Assets', 'Return on Equity' and 'Ln Net Profit'), one moderating (Islamic Social Reporting (ISR) scores) and one interaction variable is selected. A more detailed explanation of the operationalization of the variables is provided in the Methodology section.

16.3.1 Methodology

16.3.1.1 Sampling Procedure

The sample of this study consists of seventy-five firms, year observations derived from the fifteen companies listed on the Indonesia Stock Exchange (IDX) under the Jakarta Islamic Index for 2015–2019. The selection of 2015 as the beginning of our research period is because in that year the Indonesian Financial Services Authority (OJK) issued the Regulation Number 15/POJK.04/2015 concerning the application of *Sharī'ah* principles in the capital market.

The Jakarta Islamic Index (JII) is a *Sharī'ah* stock index consisting of the thirty most liquid Islamic stocks listed on the IDX, and these shares derive from the List of *Sharī'ah* Securities (Daftar Efek Syariah—DES) issued by the OJK. The JII constituents are reviewed by the IDX twice a year following the DES review by

the OJK. The selection criteria involve two stages. First, sixty shares listed on DES that have sat on the ISSI index for the past six months are selected according to the order of the highest average market capitalization for the past one year. Secondly, of these sixty stocks, thirty are selected based on the highest average daily transaction value in the regular market. Consistent with the selection criteria, some stocks are removed from the index while other new shares enter the system to complete the number of thirty stocks at every review period. Thus, the Indonesia Stock Exchange is only responsible for selecting the JII list based on its market capitalization and market liquidity, whereas OJK is the organization responsible for issuing the List of *Sharī'ah* Securities or DES (Summarized from https://www.idx.co.id/idx-syariah/indeks-saham-syariah/).

The DES review is carried out by the OJK periodically and incidentally. Periodic evaluation is executed twice a year on fixed dates and the shares meeting the criteria according to OJK Regulation Number 35/POJK.04/2017 remain on the list. Incidental assessment is performed when the need to revise the DES list outside the fixed dates arise. The necessity for such revision occurs either when a new company is being added to the DES list as a result of an Initial Public Offering (IPO); or when the existing shares on the platform no longer meet *Sharī'ah* requirements according to OJK regulations. There are two main conditions for stocks to meet the DES criteria. First, the IDX listed companies perform no business activities prohibited by the *Sharī'ah*, such as gambling and *ribāwi* financial services. Second, public companies do not have more than 45% of the total interest-based debt (*ribā*) when compared to their total assets, and their total interest income and other non-*ḥalāl* income is not more than 10% of their total operating revenue.[2]

The above information indicates that the criteria for shares to be on the DES list are not completely *Sharī'ah* wheraes there is still a proportion of business activities contravening Islamic law. Allowing non-compliant transactions to be part of the *Sharī'ah* shares may have three implications for the development of Islamic Finance in Indonesia. First, it provides an opportunity for the corporate management to design business activities that meet only the minimum DES requirements. Second, the companies on the DES list are not motivated to become *Sharī'ah*-driven enterprises in the same way as sustainable companies are. The latter strive to tick every box of sustainability requirements. Had those companies been *Sharī'ah*-driven, they would have endeavored to make significant changes to their operations so that their *Sharī'ah* compliance would get better over time. Third, allowing the DES companies to be not fully Islamic could provide a setback for Muslim investors who might expect the firms under the Islamic index to be completely *Sharī'ah* compliant. However, a similar policy with a lower percentage is also being implemented in Malaysia (Firmansyah, 2017). In spite of a moderate level of *Sharī'ah* requirements stipulated by the Indonesian Government, a number of companies were unable to meet these requirements and were removed from the JII index, and thus from our sample.

[2] Summarized from https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/daftar-efek-syariah/default.aspx.

The sample companies comprise seven business sectors from the nine segment areas available on the Indonesia Stock Exchange. The IDX classifies the businesses of stock issuers into nine sectors following the Jakarta Stock Industry Classification (JASICA[3]) Index: (1) agriculture, (2) basic industry & chemical, (3) consumer goods, (4) construction & property & real estate, (5) finance, (6) infrastructure, (7) utilities & transportation, (8) mining miscellaneous industries, and (9) trade & services & investment. The two segments not included in our sample companies are agriculture and finance, because none of the companies under these two segments meets the sampling criteria outlined above.[4] Our sample companies have been listed on the IDX for various times ranging from five to thirty-seven years according to their IPO dates. Thus our selection of sample companies is random. The list of these firms and their seven sectors is presented in Table 16.1.

16.3.1.2 Data and Variables

The Dependent variable in this study is financial, measured by three proxies: 'Return on Assets', 'Return on Equity' and 'Ln Net Profit'. A Study by Firescu (2015) shows that managers are interested in the overall performance of the company, while investors in the profitability of their investments. Therefore, managers concentrate on the accounting return, commonly known as 'Return on Assets', and investors on the return of their investments, widely referred to as 'Return on Equity'. Both these ratios are rooted in the net profit, and therefore we also utilize 'Ln Net Profit' as our third performance measure. The data to assess performance measures are collected from the companies' annual reports. This study measures sustainability practice by ESG disclosure scores based on the ninety-two items of the Global Reporting Initiative (GRI) standards. Content analysis is performed manually to extract ESG disclosure scores from sample companies' annual and sustainability reports (see Appendix 1 for GRI Standard Items). Moderating variable is *Sharī'ah* practice measured by the disclosure of *Sharī'ah* items based on the Islamic Social Reporting (ISR) To assess *Sharī'ah* performance by the sample companies, we adopt the ISR 43-item disclosure index developed by Haniffa and Hudaib (2002), and modified by Othman et al. (2009) who added corporate governance to the index. This modified ISR index consists of six themes: (1) finance and investments, (2) products and services, (3) employees, (4) society, (5) the environment, and (6) corporate governance. We perform content analysis manually to extract ISR disclosure scores from the companies' annual reports (see Appendix 2 for ISR Items).

[3] JASICA refers to the Indonesian Business Classification adopted by the Central Bureau of Statistics from the International Standard Industrial Classification (ISIC).

[4] Although the banking sector is the most prominent segment of global Islamic finance, none of the banks in Indonesia was listed on the Jakarta Islamic Index during the period 2015–2018. During the course of 2019, Bank BTPN Sharia (BTPS) entered the system, making it the only bank thus far sitting on the Index. This shows that none of the banking companies meeting the sampling criteria to have been successively on the JII Index for the consecutive five-year period of 2015–2019.

Table 16.1 Sample companies in the JII index 2015 to 2019

No	Code	Company name	Business sector	IPO date
1	SMGR	Semen Indonesia (Persero) Tbk	Basic industry and chemicals	08/07/1991
2	ICBP	Indofood CBP Sukses Makmur Tbk	Consumer goods industry	07/10/2010
3	INDF	Indofood Sukses Makmur Tbk	Consumer goods industry	14/07/1994
4	KLBF	Kalbe Farma Tbk	Consumer goods industry	30/07/1991
5	UNVR	Unilever Indonesia Tbk	Consumer goods industry	11/01/1982
6	TLKM	Telekomunikasi Indonesia (Persero) Tbk	Infrastructure, utilities, and transportation	14/11/1995
7	ADRO	Adaro Energy Tbk	Mining	16/07/2008
8	INCO	Vale Indonesia Tbk	Mining	16/05/1990
9	ASII	Astra International Tbk	Miscellaneous industry	04/04/1990
10	BSDE	Bumi Serpong Damai Tbk	Property, real estate and building construction	06/06/2008
11	PTPP	PP (Persero) Tbk	Property, real estate and building construction	09/02/2010
12	WIKA	Wijaya Karya (Persero) Tbk	Property, real estate and building construction	29/10/2007
13	AKRA	AKR Corporindo Tbk	Trade, service & investment	03/10/1994
14	LPPF	Matahari Department Store Tbk	Trade, service & investment	10/10/1989
15	UNTR	United Tractors Tbk	Trade, service & investment	19/09/1989

The several variables in this study are controlled to avoid scale and spurious bias estimates in our research results. First is the company size as measured by the logarithm of total assets (Arayssi et al., 2016; Duque-Grisales & Aguilera-Caracuel, 2019; Lourenço et al., 2012). Second is leverage, we measure leverage by the ratio of total debts to total assets, known as 'financial leverage ratio', to describe the extent of loans used by the company to finance its assets (Baird et al., 2012; Carini & Chiaf, 2015; Khan et al., 2016). Third variable is inventory turnover. This variable describes the level of corporate sales activity, which is another determinant of financial performance, we measure inventory turnover using cost of goods sold divided by average inventory. Fourth control variable is the age of company, it is measured by the length of time it has been listed on the stock market. Data for control variables are collected from the companies' annual reports. The variable measurements are described in Table 16.2.

16.3.1.3 Data Analysis Technique

In this study data is analyzed by employing 'Robust Multiple Least Square Regression' models with the statistical software Stata. We apply robust regressions in order to avoid estimation bias from potential outliers in the data. Given the small sample size we chose not to remove the potential outliers.

$\text{FinPerf}_1 = \alpha_0 + \alpha_1\text{Sustain} + \alpha_2\text{ISR} + \alpha_3\ \text{Sustain*ISR} + \alpha_4\ \text{Size} + \alpha_5\text{Lev} + \alpha_6\text{InvTurn} + \alpha_7\text{Age} + \varepsilon$. (**Model 1**)

$\text{FinPerf}_2 = \alpha_0 + \alpha_1\text{Sustain} + \alpha_2\text{ISR} + \alpha_3\ \text{Sustain*ISR} + \alpha_4\ \text{Size} + \alpha_5\text{Lev} + \alpha_6\text{InvTurn} + \alpha_7\text{Age} + \varepsilon$. (**Model 2**)

$\text{FinPerf}_3 = \alpha_0 + \alpha_1\text{Sustain} + \alpha_2\text{ISR} + \alpha_3\ \text{Sustain*ISR} + \alpha_4\ \text{Size} + \alpha_5\text{Lev} + \alpha_6\text{InvTurn} + \alpha_7\text{Age} + \varepsilon$. (**Model 3**)

Where:

FinPerf:	ROA (Model 1); ROE (Model 2); Ln Net Profit (Model 3)
Sustain:	Sustainability practice
ISR:	Islamic practice
Size:	Company size
Lev:	Company leverage
InvTurn:	Inventory turnover
Age:	Company age

16.4 Results and Discussions

Table 16.3, Panel A provides descriptive statistics of the research variables. Both ROA and ROE are ratio variables with a mean value of 0.1130551 (11.30%) and 0.2696375 (26.96%) respectively; whereas net profit is a continuous variable so we

Table 16.2 Variable measurements

No	Label	Variable	Proxy	Measurement	Data type
1	FinPerf	Financial performance	ROA (model 1)	Net profit/total assets	Ratio (numerical)
			ROE (model 2)	Net profit/total equity	
			Ln net profit (model 3)	*Logarithm* of *net profit*	
2	Sustain	Sustainability practice	GRI consolidated set consists of 92 items	The GRI standard consisting of 92 items of environmental, social and governance (ESG) factors	Ratio (numerical)
3	ISR	Islamic practice	Islamic Social Reporting index	The Islamic Social index (ISR) proposed by Othman et al. (2009) that consists of 43 items and six themes	Ratio (numerical)
4	Size	Company size	Ln total assets	*Logarithm* of total assets	Ratio (numerical)
5	Lev	Company leverage	–	Total debt/total assets	Ratio (numerical)
6	InvTurn	Inventory turnover	–	Cost of goods sold divided by the average inventory for the same period	Ratio (numerical)
7	Age	Company age	– Ln age	*Logarithm* of age, the period from the time the company conducted its IPO until 2015, the beginning of this research period	Ordinal (categorical)

Table 16.3 Panel A. Descriptive statistics for research variables. Panel B. Descriptive statistics for sustainability and islamic disclosure. Panel C. ESG disclosure by year. Panel D. ISR disclosure by year. Panel E. Pearson's correlation coefficient

Panel A										
Stats	Financial performance			Sustain	ISR	Sustain*ISR	Size	Lev	InvTurn	Age
	ROA	ROE	Ln_Net_Profit							
Min	−0.00696	−0.00835	0	0	0.395349	0	3.589.838	0.144675	0.20999	5
Max	0.457701	1.609.403	4.514.561	0.780488	0.534884	0.363018	5.546.491	2.909.504	64.97181	37
Mean	0.113055	0.269638	3.466.945	0.154797	0.465116	0.072744	4.617.849	1.074.351	11.25262	20.46667
P50	0.075637	0.142539	3.465.829	0.146342	0.465116	0.064663	4.620.989	0.876778	6.247174	24
Sd	0.110277	0.369479	0.661063	0.166717	0.039548	0.076067	0.446206	0.741173	14.50421	9.196552
Variance	0.012161	0.136515	0.437004	0.027795	0.001564	0.005786	0.1991	0.549338	210.3721	84.57658
N	75	75	75	75	75	75	75	75	75	75

Panel B		
Stats	GRI ESG disclosure, consists of 92 items of Environmental, Social and Governance (ESG) factors	Islamic social reporting, consists of 43 items of disclosure of Islamic Social factors
Min	0	17
Max	64	23
Mean	12.69333	20
P50	12	20
Sd	13.67081	1.700.556
Variance	186.8912	2.891.892
N	75	75

Panel C
ESG disclosure

(continued)

Table 16.3 (continued)

Year	Observation	Mean	Standard deviation	Minimum	Maximum
2015	15	13.06667	18.08498	0	64
2016	15	9.133333	10.77608	0	33
2017	15	8.266667	7.401416	0	18
2018	15	12	10.26088	0	30
2018	15	21	16.59604	0	53

Panel D

ISR disclosure

Year	Observation	Mean	Standard deviation	Minimum	Maximum
2015	15	19.8	1.656157	17	22
2016	15	19.8	1.656157	17	22
2017	15	1.986.667	1.726543	17	22
2018	15	20.02	1.780851	17	23
2018	15	20.02	1.838737	17	23

Panel E

Stats	ROA	ROE	Ln_Net_Profit	Sustain	ISR	Sustain*ISR	Size	Lev	InvTurn	Age
ROA	1.0000									

(continued)

Table 16.3 (continued)

ROE	**0.9578*** (0.0000)	1.0000								
Ln_Net_Profit	**0.9578*** (0.0000)	0.1871 (0.1081)	1.0000							
Sustain	**2623*** (0.0230)	−0.0960 (0.4126)	0.0653 −0.5777	1.0000						
ISR	−0.1607 (0.1684)	0.0278 (0.8131)	**0.9594*** 0	0.1145 (0.3280)	1.0000					
Sustain*ISR	**0.0148*** (0.8995)	−0.0736 (0.5304)	0.1083 −0.3549	**0.9556*** (0.0000)	0.1800 (0.1222)	1.0000				
Size	−0.1377 (0.2386)	**0**	**0.5560*** 0	0.1639 −0.16	**0.6073*** (0.0000)	0.2024 −0.0817	1.0000			
Lev	**0**	**0.5800*** (0.0000)	**0.0622*** −0.5727	**0.2318*** (0.0453)	−0.0383 (0.7444)	**0.2409*** −0.0373	−0.2138 (0.0655)	1.0000		
InvTurn	**0.4094*** (0.0003)	−0.0125 (0.9154)	**0.3860*** −0.0006	0.1128 (0.3352)	0.0492 (0.6752)	0.1167 −0.3187	**0.4171*** (0.0002)	−0.0410 (0.7269)	1.0000	
Age	0.0130 (0.9117)	**0.4602*** (0.0000)	0.105 −0.3702	0.0257 −0.827	**0.3128*** (0.0063)	0.0611 −0.6027	−0.0976 (0.4048)	−0.0257 (0.8287)	0.9578 −0.7181	1.0000

Notes Table 16.3 Panel A presents descriptive statistics for all variable proxies used in this study. Table 16.3. Panel B provides descriptive statistics for the disclosure of sustainability and Islamic factors. In this study we used GRI based on ESG disclosure that consist of 92 items of ESG type

This table describes the Pearson's correlation coefficients for the main variables of the study. Significant correlations are indicated in Bold and *. All variables are defined in Table 16.2

transform this variable using log 10. The log net profit or Ln Net Profit has a mean value of 3.466945. Independent variable denoting Sustain is the weighted average of ESG disclosure index based on the GRI standards, so it is also a ratio variable. The minimum ESG disclosure index is 0 and the maximum net score is 0.7804878 (78.05%). The mean value of Sustain (ESG disclosure index) is 0.1547971 (15.48%), indicating that on average, the companies only have 15.48% disclosure of the 92 total items (100%) of the Global Reporting Initiative (GRI) standards. The percentage of average disclosure is significantly low. This limited disclosure can be seen more clearly when we look at the ESG disclosure value shown in Panel B, where the average value is just 12.69333 items of the 92 total disclosure standards. Considering sustainable disclosure is voluntary in nature, its level of disclosure is left to the discretion of the company. Usually, the more the company focuses on sustainability, the better the disclosure level becomes. Thus, the low level of disclosure by our sample companies indicates the lack of their commitment towards sustainability agenda.

The moderating variable of *Sharī'ah* practice measured by the Islamic Social Reporting index is also a ratio variable. The mean value of sample companies' ISR is 0.4651163 (46.51%), with the minimum value of 0.3953488 (39.53%) and the maximum of 0.5348837 (53.48%). Considering that there are only 43 items (100%) in the ISR index, this average value of about 50% (46.51% of 43 items) also reflects the relatively low level of Islamic practice, although comparatively higher than that of Sustain. This subdued score becomes even more apparent when we look at the average score of 20 in Panel B. The depleted level of ISR disclosure reflects the companies' meager commitment to meeting *Sharī'ah* requirements. Considering the Indonesian Financial Services Authority (OJK)'s prerequisites to be considered "Islamic", the companies' limited commitment to *Sharī'ah* obligation is not surprising. As discussed earlier, companies must meet certain criteria to be on the DES list, which is a steppingstone to enter the Jakarta Islamic Index. Low requirements could be the reason for the limited level of commitment. It suggests that these companies are motivated by a business opportunity to be placed on the *Sharī'ah* platform, rather than by Islamic ethics or both. Therefore, the companies are not inspired to faithfully fulfill ISR standards and engage in better disclosure—instead, they observe the bare minimum. Given the relatively low ESG and ISR disclosures by the companies under consideration, the interaction variables of the two are also not high with an average value of 0.0727436 (7.27%), a minimum value of 0 and a maximum of 0.3630176 (36.30%).

As for control variables, the mean values are 4.617849 for Size (firm size); 1.074351 for Lev (firm leverage); 11.25262 for InvTurn (inventory turnover); and 20.46667 for Ln_Age (firm age), implying that sample companies' differences in size and leverage structure are relatively insignificant. This is not surprising because the overall JII companies are based on market capitalization and market liquidity, so that the company size measured by total assets does not differ much from one another. Likewise, the leverage structure of sample firms is not far removed from each other since JII companies are prohibited from appropriating high debt. However, a high variety in the value of inventory turnover and company age is observed. Regarding

years of existence, samples have had a minimum life-span on the stock market of five years and the maximum of thirty-seven. Age gaps represent the different stages of corporate maturity in sample companies.

The following panels demonstrate three key areas of inquiry: Sustainability, Islamic performance and moderating factor. Panel C exhibits the corporations' ESG disclosure by year and the results show an insignificant trend from year to year. The maximum value of 64 out of 92 items occurred in 2015, which declined thereafter reaching its lowest point of 18 in 2017. From there, the disclosure increased to the value of 30 in 2018 and 53 in 2019. Several reasons can be suggested for this inconsistent sustainability performance by our sample companies. First, sustainable practice is a voluntary effort and the decision to implement it is left to the discretion of the company. Second, awareness of sustainability practices in the country's business world remains relatively low and therefore there is limited culture of mimicking a role model in sustainability practice. The awareness issue also points to the lack of investors' demand for sustainability information, thus less pressure for the companies to produce it. Finally, the lack of pressure from the investors, the government and the public at large makes corporate sustainability remote from mainstream discourse. However, the situation has improved since 2017 when the Indonesian Financial Services Authority issued the Regulation Number 51/POJK.03/2017 regarding the Implementation of Sustainable Finance. This regulation requires financial service institutions, stock issuers, public companies and others to publish their sustainability reports: banking sector companies have to meet this requirement by 2019, and other issuers by 2020 (Woodhead 2020). This regulation may explain the improved sustainability disclosure by our sample companies in 2018 and 2019 as described above.

Panel D also displays the ISR disclosure by year, and the scores are rather static over the study period with a slight increase in the last two years (2018–2019). Yet, the level of disclosure remains below 50%. A number of reasons appear to explain the low Islamic application. First, perhaps *Sharī'ah* practices are not yet embedded in the operational strategies of the JII companies since they become constituents of the index based on a rather lax DES criteria and this tolerance may be the reason for their low commitment to *Sharī'ah* principles. Second, the companies sitting on the JII index seems not to possess a clear incentive to perform beyond the DES *Sharī'ah* requirements despite having an opportunity to attract potential Islamic investors. Third, lack of expertise of Islamic finance among the banking practioners seems to be another reason for our companies' low *Sharī'ah* compliance. A study by Iswanaji (2018) on the growth of Islamic banking in Indonesia shows the problem of skill proficiency and argues that the second major challenge encountered by its *Sharī'ah* industry, in addition to an inadequate regulatory framework, is the lack of qualified human resources, i.e. ninety percent of the workforce of Islamic banking having no prior Islamic Finance training. Taktak and Farooq (2014) demonstrates that recommendations by experts and analysts have no value-relevance to the *Sharī'ah* compliant companies in a similar fashion to non-*Sharī'ah* counterparts. Their study supports our argument that *Sharī'ah* companies have not been properly considered

by investors in making investment decisions. This could be due to a lack of investor confidence or poor awareness of the lucrative potential of *Sharī'ah* stocks.

It is clear that disclosure of both sustainability and Islamic performance by sample companies remains at the lower end of the scale (below 50%). We argue that these firms have not fully committed to either ESG or to *Sharī'ah* obligations. We also assert that their sustainability practices have not gone hand-in-hand with their Islamic activities to seriously improve their financial performance. The slightly positive trend with regards to their Islamic compliance indicates that these corporations meet the *Sharī'ah* requirements prescribed by OJK in order to stay on the *Sharī'ah* index. By contrast, they have not found the niche to fully embrace sustainability, with this being reflected in their curvy performances throughout the course of study period. One explanation for such lack of commitment could be that these companies are still following the old school of thought: business for profit making. It also suggests that they have not transformed themselves to the level of high corporate ethics promoted by the United Nations and the world community. In addition, their practice is also a reflection of the country's overall relatively weak commitment to sustainability.[5] One weakness of Indonesian public institutions is the level of implementation and legal enforcement: a sound legal standing is not necessarily translated into good policy and action.

In addition to the above descriptive statistics and analysis, we also analyze the correlations of the variables. Panel E provides Pearson's correlation coefficients among the variables used in regression models. Patterning on this model, statistical analysis indicates that one of predictor variables Sustain is highly correlated with the interaction terms Sustain*ISR. Otherwise, there is no high correlation between the main predictor variables (including independent, moderating and control variables), indicating that multicollinearity is not a serious concern in regressions. Molala (2019) asserts that multicollinearity occurs when an absolute correlation coefficient higher than 0.7. In our results only Sustain and Sustain*ISR have correlation above 0.7 which is at 0.9556. To address the multicollinearity issue, we ran the generalized linear method (GLM) regression as a sensitivity test, and the results (not reported here) are consistent with the main regression tests.

The above descriptive statistics demonstrate that sample companies' sustainability practice and Islamic performance are still at their infancy, with a great deal of room for improvement. We are convinced that the corporations have to make additional long-term efforts to experience a significant impact of the sustainability practices on their financial performance. The Government and the *Sharī'ah* supervising board also have to be more attentive in supervising these firms, not only to ensure their compliance but also to provide a clear incentive to encourage an uptrend performance.

Table 16.4 reports the results of the estimating equations (Models 1, Model 2 & Model 3). The estimated coefficients for Sustain are −2.78717, −6.899427 and −

[5] Just last December, Indonesia along with a few other countries, was singled out by the UN Secretary General Antonio Guterres for its lack of commitment to carbon net zero emission (https://www.bbc.com/news/science-environment-55147647 https://www.theguardian.com/environment/2020/dec/09/rich-failing-help-fund-poor-countries-climate-fight-warns-un-chief-antonio-guterres).

Table 16.4 Results of Robust Multiple Least Square Regression of Sustainability Practice on Financial Performance

Variable	*Predicted sign*	*Model 1*		*Model 2*		*Model 3*	
		$FinPerf_1$		$FinPerf_2$		$FinPerf_3$	
		ROA Estimates (p value)	t-stat	ROE Estimates (p value)	t-stat	Ln_Net_Profit Estimates (p value)	t-stat
Sustain	+	−2.78717 (0.000)	−3.90	−6.899427 (0.001)	−3.42	−11.18781 (0.000)	−4.68
ISR	+	0.6658164 (0.047)	2.02	2.005176 (0.035)	2.16	2.499856 (0.026)	2.27
Sustain*ISR	?	5.714075 (0.001)	3.59	13.9844 (0.003)	3.11	23.15008 (0.000)	4.35
Size	+	−0.1914766 (0.000)	−6.74	−0.5223544 (0.000)	−6.51	0.2850459 (0.004)	3.00
Lev	?	0.0386704 (0.001)	3.38	0.2458493 (0.000)	7.60	−0.0271723 (0.481)	−0.71
InvTurn	+	0.0026603 (0.000)	4.40	0.0070884 (0.000)	4.15	0.0111066 (0.000)	5.50
Age	+	0.0027706 (0.007)	2.79	0.011035 (0.000)	3.93	0.0088847 (0.009)	2.67

(continued)

Table 16.4 (continued)

Variable	*Predicted sign*	*Model 1*		*Model 2*		*Model 3*	
		$FinPerf_1$		$FinPerf_2$		$FinPerf_3$	
		ROA Estimates	t-stat	ROE Estimates	t-stat	Ln_Net_Profit Estimates	t-stat
		(p value)		(p value)		(p value)	
N		75		75		75	
Intercept		0.5697183 (0.000)	-	1.215801 (0.003)	-	0.8365665 (0.077)	-
N		75		75		75	
F (7, 67)		24.50 (0.0000)		36.36 (0.0000)		40.53 (0.0000)	
R-Square		0.71911778		0.79163192		0.80896373	
Adjusted R-Square		68.97%		76.98%		78.90%	

This table presents the results of investigations on the relationship of sustainability practices and financial performance with Islamic practice as moderating variable. All variables are defined in Section III. One-tail t-test is performed for directional predictions. Significant levels 1%, 5% & 10% denote as ***, **, * respectively. Model used are:

$FinPerf_1 = \alpha_0 + \alpha_1 Sustain + \alpha_2 ISR + \alpha_3\ Sustain*ISR + \alpha_4\ Size + \alpha_5 Lev + \alpha_6 InvTurn + \alpha_7 Age + \varepsilon$. (**Model 1**)

$FinPerf_2 = \alpha_0 + \alpha_1 Sustain + \alpha_2 ISR + \alpha_3\ Sustain*ISR + \alpha_4\ Size + \alpha_5 Lev + \alpha_6 InvTurn + \alpha_7 Age + \varepsilon$. (**Model 2**)

$FinPerf_3 = \alpha_0 + \alpha_1 Sustain + \alpha_2 ISR + \alpha_3\ Sustain*ISR + \alpha_4\ Size + \alpha_5 Lev + \alpha_6 InvTurn + \alpha_7 Age + \varepsilon$. (**Model 3**)

11.18781 respectively, and the results are statistically significant at the 0.01% level with t-statistics −3.9 (Model 1); −3.42 (Model 2) and −4.68 (Model 3). It is observed from the regression results, that t-statistics values in the three models are above critical value, it can be concluded that results are highly significant and support initial hypothesis. Results show that the companies with higher sustainability practices experience lower financial performance. These findings contradict our hypothesis which predicted that sustainability practice is positively associated with financial performance. These results also conflict with those of prior studies by Waddock and Graves (1997) and (Buallay, 2019). In addition, our outcomes contradict the three theories that support sustainability disclosures, namely agency, signaling and legitimacy theories discussed in the literature review. However, our results are in line with modern 'portfolio theory' which defies strategic limitations in portfolios. Our predictions for the unexpected results in this analysis are twofold. First, the small sample size in our study may have contributed to the negative results. Second, the minimum average ESG disclosure by our sample companies could be another reason.

Our analysis of Islamic performance by the sample companies is also tested with the same model. The estimated coefficients of the ISR is at 0.6658164 (t-stat 2.02); 0.6658164 (t-stat 2.16); 2.005176 (t-stat 2.02) in Model 1, Model 2 & Model 3 respectively; these results are statistically significant at the 0.5% level. Consistent with our predictions, Islamic practice is positively associated with financial performance. Likewise, the estimated coefficient of the interaction variable, Sustain*ISR was at 5.7140 (t-stat 3.59); 13.9844 (t-stat 3.11); and 23.15008 (t-stat 4.35) across the three models; the results were statistically significant at the 0.01% level. The positive coefficient for the interaction variable indicates that the presence of ISR positively moderates the relationship between sustainability practices and financial performance. These findings strongly support second hypothesis, which posits that better Islamic disclosure leads to improved financial performance; and likewise *Sharī'ah* compliance moderates the relationship between sustainability practice and financial performance. These outcomes support our initial prediction that ISR disclosure is positively associated with financial performance and acts as a positive moderator for the relationship between sustainability practice and financial performance. These results are also in accordance with the findings of several other studies by Jan et al., (2019a, b); Peng and Isa (2020); Ur Rehman et al. (2020). Our research findings are also in line with the three agency, signaling and legitimacy theories, thereby highlighting the importance of disclosure for better financial performance.

The models are robust with an adjusted R Square of 68.97% in Model 1; 76.98% in Model 2; and 78.90% in Model 3. These results show that the variables used in this study explain by about 70% financial performance in the three models.

16.5 Conclusion

This research explores the relationship between sustainability practices and financial performance in the Indonesian context. We reviewed fifteen sample companies listed on the Jakarta Islamic Index during the course of five years (2015–2019) utilizing the three proxies: ROA, ROE and Ln Net Profit. We first hypothesizes that sustainability practices improve financial performance of the companies under consideration, and secondly that *Sharī'ah* compliance has a significant positive impact on their financial performance. We further predict that Islamic practice moderates the relationship between sustainability practices and financial performance. Contrary to our first expectation, we find that sustainability practice has a negative and significant effect on these companies' financial performance. Meanwhile, *Sharī'ah* compliance demonstrates a significantly positive relationship with their financial performance, and that this measure also positively moderates the relationship between sustainability and profitability proxies.

Our research contributes to sustainability literature and Islamic Finance in three different ways. First, to the best of our knowledge no previous research has investigated the research models proposed in this study, so this analysis enriches the empirical conceptual model. Second, this inquiry contributes to the current literature by providing evidence of a three-dimensional relationship between sustainability, Islamic practice and financial performance. Third, this study provides new empirical insights to regulators regarding *Sharī'ah* compliance as a moderator of the relationship between sustainability practice and financial performance. As such it can be used as a basis for policy formation in advancing and regulating sustainability and *Sharī'ah* practices by companies.

Our study is subject to several limitations. First, due to our content analysis methodology, we are unable to establish a high level of data validity. However, we have attempted to use several verification approaches during the data mining process. Second, we focus on a small number of *Sharī'ah*-oriented companies, which makes our findings in need of careful consideration when they are generalized for understanding other research contexts. Third, we rely on an established set of company performance measures that may not adequately capture all the performance effects of sustainability and Islamic reporting practices. These limitations suggest important directions for further research. Future studies may explore our research questions by using alternative and broader data-sets from such databases, e.g. Bloomberg, Datastream, and others. This type of replication can help establish the applicability of our results.

Appendix

See Tables 16.5 and 16.6.

Table 16.5 Global Reporting Initiative (GRI) standard indicators

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
	Governance indicators (G):			
1	GRI 102	Governance	102–18	Governance structure
2	GRI 102	Governance	102–19	Delegating authority
3	GRI 102	Governance	102–20	Executive-level responsibility for economic, environmental, and social topics
4	GRI 102	Governance	102–21	Consulting stakeholders on economic, environmental, and social topics
5	GRI 102	Governance	102–22	Composition of the highest governance body and its committees
6	GRI 102	Governance	102–23	Chair of the highest governance body
7	GRI 102	Governance	102–24	Nominating and selecting the highest governance body
8	GRI 102	Governance	102–25	Conflicts of interest
9	GRI 102	Governance	102–26	Role of highest governance body in setting purpose, values, and strategy
10	GRI 102	Governance	102–27	Collective knowledge of highest governance body
11	GRI 102	Governance	102–28	Evaluating the highest governance body's performance
12	GRI 102	Governance	102–29	Identifying and managing economic, environmental, and social impacts
13	GRI 102	Governance	102–30	Effectiveness of risk management processes
14	GRI 102	Governance	102–31	Review of economic, environmental, and social topics
15	GRI 102	Governance	102–32	Highest governance body's role in sustainability reporting
16	GRI 102	Governance	102–33	Communicating critical concerns
17	GRI 102	Governance	102–34	Nature and total number of critical concerns

(continued)

Table 16.5 (continued)

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
18	GRI 102	Governance	102–35	Remuneration policies
19	GRI 102	Governance	102–36	Process for determining remuneration
20	GRI 102	Governance	102–37	Stakeholders' involvement in remuneration
21	GRI 102	Governance	102–38	Annual total compensation ratio
22	GRI 102	Governance	102–39	Percentage increase in annual total compensation ratio
	Environmental sustainability indicators (E):			
1	GRI 301	Materials	301–1	Materials used by weight or volume
2	GRI 301	Materials	301–2	Recycled input materials used
3	GRI 301	Materials	301–3	Reclaimed products and their packaging materials
4	GRI 302	Energy	302–1	Energy consumption within the organization
5	GRI 302	Energy	302–2	Energy consumption outside of the organization
6	GRI 302	Energy	302–3	Energy intensity
7	GRI 302	Energy	302–4	Reduction of energy consumption
8	GRI 302	Energy	302–5	Reductions in energy requirements of products and services
9	GRI 303	Water and effluents	303–1	Interactions with water as a shared resource
10	GRI 303	Water and effluents	303–2	Management of water discharge-related impacts
11	GRI 303	Water and effluents	303–3	Water withdrawal
12	GRI 303	Water and effluents	303–4	Water discharge
13	GRI 303	Water and effluents	303–5	Water consumption
14	GRI 304	Biodiversity	304–1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
15	GRI 304	Biodiversity	304–2	Significant impacts of activities, products, and services on biodiversity
16	GRI 304	Biodiversity	304–3	Habitats protected or restored

(continued)

Table 16.5 (continued)

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
17	GRI 304	Biodiversity	304–4	IUCN Red List species and national conservation list species with habitats in areas affected by operations
18	GRI 305	Emissions	305–1	Direct (Scope 1) GHG emissions
19	GRI 305	Emissions	305–2	Energy indirect (Scope 2) GHG emissions
20	GRI 305	Emissions	305–3	Other indirect (Scope 3) GHG emissions
21	GRI 305	Emissions	305–4	GHG emissions intensity
22	GRI 305	Emissions	305–5	Reduction of GHG emissions
23	GRI 305	Emissions	305–6	Emissions of ozone-depleting substances (ODS)
24	GRI 305	Emissions	305–7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions
25	GRI 306	Effluents and waste	306–2	Waste by type and disposal method
26	GRI 306	Effluents and waste	306–3	Significant spills
27	GRI 306	Effluents and waste	306–4	Transport of hazardous waste
28	GRI 307	Environmental compliance	307–1	Non-compliance with environmental laws and regulations
29	GRI 308	Supplier environmental assessment	308–1	New suppliers that were screened using environmental criteria
30	GRI 308	Supplier environmental assessment	308–2	Negative environmental impacts in the supply chain and actions taken
	Social sustainability indicators (S):			
1	GRI 401	Employment	401–1	New employee hires and employee turnover
2	GRI 401	Employment	401–2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
3	GRI 401	Employment	401–3	Parental leave
4	GRI 402	Labor/management relations	402–1	Minimum notice periods regarding operational changes
5	GRI 403	Occupational health and safety	403–1	Occupational health and safety management system

(continued)

Table 16.5 (continued)

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
6	GRI 403	Occupational health and safety	403–2	Hazard identification, risk assessment, and incident investigation
7	GRI 403	Occupational health and safety	403–3	Occupational health services
8	GRI 403	Occupational health and safety	403–4	Worker participation, consultation, and communication on occupational health and safety
9	GRI 403	Occupational health and safety	403–5	Worker training on occupational health and safety
10	GRI 403	Occupational health and safety	403–6	Promotion of worker health
11	GRI 403	Occupational health and safety	403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
12	GRI 403	Occupational health and safety	403–8	Workers covered by an occupational health and safety management system
13	GRI 403	Occupational health and safety	403–9	Work-related injuries
14	GRI 403	Occupational health and safety	403–10	Work-related ill health
15	GRI 404	Training and education	404–1	Average hours of training per year per employee
16	GRI 404	Training and education	404–2	Programs for upgrading employee skills and transition assistance programs
17	GRI 404	Training and education	404–3	Percentage of employees receiving regular performance and career development reviews
18	GRI 405	Diversity and equal opportunity	405–1	Diversity of governance bodies and employees
19	GRI 405	Diversity and equal opportunity	405–2	Ratio of basic salary and remuneration of women to men
20	GRI 406	Non-discrimination	406–1	Incidents of discrimination and corrective actions taken
21	GRI 407	Freedom of association and collective bargaining	407–1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
22	GRI 408	Child labor	408–1	Operations and suppliers at significant risk for incidents of child labor

(continued)

Table 16.5 (continued)

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
23	GRI 409	Forced or compulsory labor	409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor
24	GRI 410	Security practices	410–1	Security personnel trained in human rights policies or procedures
25	GRI 411	Rights of indigenous peoples	411–1	Incidents of violations involving rights of indigenous peoples
26	GRI 412	Human rights assessment	412–3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
27	GRI 412	Human rights assessment	412–2	Employee training on human rights policies or procedures
28	GRI 412	Human rights assessment	412–1	Operations that have been subject to human rights reviews or impact assessments
29	GRI 413	Local communities	413–1	Operations with local community engagement, impact assessments, and development programs
30	GRI 413	Local communities	413–2	Operations with significant actual and potential negative impacts on local communities
31	GRI 414	Supplier social assessment	414–1	New suppliers that were screened using social criteria
32	GRI 414	Supplier social assessment	414–2	Negative social impacts in the supply chain and actions taken
33	GRI 415	Public policy	415–1	Political contributions
34	GRI 416	Customer health and safety	416–1	Assessment of the health and safety impacts of product and service categories
35	GRI 416	Customer health and safety	416–2	Incidents of non-compliance concerning the health and safety impacts of products and services
36	GRI 417	Marketing and labeling	417–1	Requirements for product and service information and labeling
37	GRI 417	Marketing and labeling	417–2	Incidents of non-compliance concerning product and service information and labeling
38	GRI 417	Marketing and labeling	417–3	Incidents of non-compliance concerning marketing communications

(continued)

Table 16.5 (continued)

No	GRI standard	GRI standard title	Disclosure number	Disclosure title
39	GRI 418	Customer privacy	418–1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
40	GRI 419	Socioeconomic compliance	419–1	Non-compliance with laws and regulations in the social and economic area

Source GRI Resource Centre (https://www.globalreporting.org/how-to-use-the-gri-standards/resource-center/)

Table 16.6 The Islamic Social Reporting (ISR) index

Disclosure items	
A	*Finance and investment theme*
1	*Ribā* activities
2	*Gharar*
3	*Zakāt*: method used, zakatable amount, beneficiaries
4	Policy on late repayments and insolvent clients/bad debts written-off
5	Current value balance sheet (CVBS)
6	Value added statement (VAS)
B	*Product and service themes*
7	Green product
8	*Ḥalāl* status of the product
9	Product safety and quality
10	Customer complaints/incidents of non-compliance with regulation and voluntary codes (if any)
C	*Employee themes*
11	Nature of work: working hours, holidays, other benefits
12	Education and training/ human capital development
13	Equal opportunities
14	Employee involvement
15	Health and safety
16	Working environment
17	Employment of other special-interest-group (i.e. handicapped, ex-convicts, former drug-addicts)

(continued)

Table 16.6 (continued)

Disclosure items	
18	Higher echelons in the company perform the congregational prayers with lower and middle level managers
19	Muslim employees are allowed to perform their obligatory prayers during specific times and fasting during Ramaḍan on their working day
20	Proper place of worship for the employees
D	*Society themes*
21	*Ṣadaqah*/Donation
22	*Waqf*
23	*Qarḍ al-Ḥasan* (benevolent lending or interest free-loan)
24	Employee volunteerism
25	Education-school adoption scheme: scholarships
26	Graduate employment
27	Youth development
28	Underprivileged community
29	Children care
30	Charities/gifts/social activities
31	Sponsoring public health/recreational projects/sports/cultural events
E	*Environment themes*
32	Conservation of environment
33	Endangered wildlife
34	Environmental pollution
35	Environmental education
36	Environmental products/process related
37	Environmental audit/independent verification statement/governance
38	Environmental management system/policy
F	*Corporate governance themes*
39	*Sharī'ah* compliance status
40	Ownership structure: number of Muslim shareholders and their shareholdings
41	Board structure: Muslim vs non-Muslim
42	Forbidden activities: monopolistic practices, holding necessary goods, price manipulation, fraudulent business practices, gambling
43	Anti-corruption policies

Source Othman et al., (2009)

References

Ahmed, H. (2013). Financial inclusion and Islamic finance: Organizational formats, products, outreach, and sustainability. In Z. Iqbal & A. Mirakhor (Eds.), *Economic Development and Islamic Finance* (Vol. 203).

Ahmed, H., Mohieldin, M., Verbeek, J., & Aboulmagd, F. (2015). On the sustainable development goals and the role of Islamic finance. The World Bank.

Ahmed, H. I., & Barikzai, S. A. K. (2016). Objectives of islamic finance achieved by islamic banks. *Al-Adwa, 45*(31), 45–65.

Al-Jarhi, M. A. (2002). *Islamic Finance: An Efficient and Equitable Option.*

Al Ansari, R., & Alanzarouti, F. (2020). ESG and islamic finance: An ethical bridge built on shared values. *Journal of Islamic Financial Studies, 6*(1).

Algaoud, L. M., & Lewis, M. K. (2007). Islamic critique of conventional financing. In K. Hassan & M. Lewis (Eds.), *Handbook of Islamic Banking* (Vol. 38). Edward Elgar Publishing.

Ali, H. Y., Danish, R. Q., & Asrar-ul-Haq, M. (2020). How corporate social responsibility boosts firm financial performance: The mediating role of corporate image and customer satisfaction. *Corporate Social Responsibility Environmental Management, 27*(1), 166–177.

Ali, M. (2020). Impact of leverage on financial performance (evidence from pakistan food and fertilizer sector). *Journal of Critical Reviews, 7*(13), 447–456.

Allouche, J., & Laroche, P. (2005). A meta-analytical investigation of the relationship between corporate social and financial performance.

Anggaini, E. T. (2020). Sejarah dan perkembangan bank syariah di Indonesia. https://blog.amartha.com/sejarah-dan-perkembangan-bank-syariah-di-indonesia/.

Aouadi, A., & Marsat, S. (2018). Do ESG controversies matter for firm value? Evidence from International data. *Journal of Business Ethics, 151*(4), 1027–1047.

Arayssi, M., Dah, M., & Jizi, M. (2016). Women on boards, sustainability reporting and firm performance. *Sustainability Accounting, Management and Policy Journal, 7*(3), 376–401.

Baird, P. L., Geylani, P. C., & Roberts, J. A. (2012). Corporate social and financial performance re-examined: Industry effects in a linear mixed model analysis. *Journal of Business Ethics, 109*(3), 367–388.

Balatbat, M., Siew, R., & Carmichael, D. (2012). *ESG scores and its influence on firm performance: Australian evidence.* School of Accounting Seminar SeriesAustralia: UNSW.

Barnett, M. L., & Salomon, R. M. (2006). Beyond dichotomy: The curvilinear relationship between social responsibility and financial performance. *Strategic Management Journal, 27*(11), 1101–1122.

Barone, G. J., & Hickman, L. (2019). Agency problems, information asymmetry, and socially responsible investing in the wake of citizens united: A call for the disclosure of political contributions in the United States. *Journal of Accounting, Ethics and Public Policy, 20*(2), 225–235.

Bernow, S., Klempner, B., & Magnin, C. (2017). From 'why' to 'why not': Sustainable investing as the new normal. https://www.mckinsey.com/~/media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/From%20why%20to%20why%20not%20Sustainable%20investing%20as%20the%20new%20normal/From-why-to-why-not-Sustainable-investing-as-the-new-normal.ashx.

Blasi, S., Caporin, M., & Fontini, F. (2018). A multidimensional analysis of the relationship between corporate social responsibility and firms' economic performance. *Ecological Economics, 147*, 218–229.

Board, I. F. S. (2013). *Islamic Financial Services Industry Stability Report, 2013–2015.*

Board, I. F. S. (2020). *Islamic Financial Services Industry Stability Report 2020.*

Buallay, A. (2019). Is sustainability reporting (ESG) associated with performance? Evidence from the European banking sector. *Management of Environmental Quality: An International Journal, 30*(1), 98–115.

Button, K. S., Ioannidis, J. P., Mokrysz, C., Nosek, B. A., Flint, J., Robinson, E. S., & Munafò, M. R. (2013). Power failure: Why small sample size undermines the reliability of neuroscience. *Nature Reviews Neuroscience, 14*(5), 365–376.

Carini, C., & Chiaf, E. (2015). The relationship between annual and sustainability, environmental and social reports. *Corporate Ownership and Control, 13*, 979–993.

Chang, R.-D., Zuo, J., Zhao, Z.-Y., Zillante, G., Gan, X.-L., & Soebarto, V. (2017). Evolving theories of sustainability and firms: History, future directions and implications for renewable energy research. *Renewable Sustainable Energy Reviews, 72*, 48–56.

Chapra, M. U. (1985). *Towards a Just Monetary System* (Vol. 8). International Institute of Islamic Thought (IIIT).

Cho, S. J., Chung, C. Y., & Young, J. (2019). Study on the relationship between CSR and financial performance. *Sustainability, 11*(2), 343.

Choudhury, M. A. (2007). Development of Islamic economic and social thought. In K. Hassan & M. Lewis (Eds.), *Handbook of Islamic Banking* (Vol. 38). Edward Elgar Publishing.

Çizakça, M. (2013). *Islamic Capitalism and Finance: Origins, Evolution and the Future*: Edward Elgar Publishing.

Coad, A., Holm, J. R., Krafft, J., & Quatraro, F. (2018). Firm age and performance. *Journal of Evolutionary Economics, 28*(1), 1–11.

Damak, M., & Roy, D. (2020). Environmental, social, and governance: Islamic finance and ESG: Sharia-compliant instruments can put the S in ESG.

Dang, C., Li, Z. F., & Yang, C. (2018). Measuring firm size in empirical corporate finance. *Journal of Banking Finance, 86*, 159–176.

Daugaard, D. (2019). Emerging new themes in environmental, social and governance investing: A systematic literature review. *Accounting & Finance*. doi:https://doi.org/10.1111/acfi.12479.

Drizane, H., & Al-Malkawi, H.-A. (2020). Profit and loss sharing (PLS) modes of financing in Islamic financial institutions.

Duque-Grisales, E., & Aguilera-Caracuel, J. (2019). Environmental, social and governance (ESG) scores and financial performance of multilatinas: Moderating effects of geographic International diversification and financial slack. *Journal of Business Ethics*, 1–20.

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science, 60*(11), 2835–2857.

Fatemi, A., Glaum, M., & Kaiser, S. (2017). ESG performance and firm value: The moderating role of disclosure. *Global Finance Journal*.

Fauzi, H., & Idris, K. (2009). The relationship of CSR and financial performance: New evidence from Indonesian companies. *Issues in Social Environmental Accounting, 3*(1).

Finance, R. (2014). The emerging convergence of SRI, ESG and Islamic finance. https://ceif.iba.edu.pk/pdf/ThomsonReuters-ResponsibleFinanceReport2015TheEmergingConvergenceofSRIESGandIslamicFinance.pdf.

Firescu, V. (2015). Comprehensive income, a new dimension in performance measurement and reporting. *Procedia Economics Finance, 20*, 218–223.

Firmansyah, E. A. (2017). Seleksi Saham Syariah: Perbandingan antara Bursa Efek Indonesia dan Malaysia. *Jurnal Inspirasi Bisnis Dan Manajemen, 1*(1), 1–10.

Global Reporting Initiative. (2013). *G4 Sustainability Reporting Guidelines: Reporting Principles and Standard Disclosures*. https://www.globalreporting.org/resourcelibrary/grig4-part1-reporting-principles-and-standard-disclosures.pdf.

Gómez-, F., Przychodzen, W., & Przychodzen, J. (2017). Bridging the gap: How sustainable development can help companies create shareholder value and improve financial performance. *Business Ethics: A European Review, 26*(1), 1–17.

Gutsche, R., Schulz, J. F., & Gratwohl, M. (2017). *Firm-value effects of CSR disclosure and CSR performance.* Paper presented at the EFMA-Conference proceedings.

Hagel, J., Brown, J. S., Samoylova, T., & Lui, M. (2013). *Success or struggle: ROA as a true measure of business performance*.

Haider, J., & Azhar, M. (2010). *Islamic Capital Market* (Master), Umea University, Sweden.

Haniffa, R., & Hudaib, M. A. (2002). A theoretical framework for the development of the Islamic perspective of accounting. *Accounting, Commerce Finance: The Islamic Perspective Journal, 6*(1/2), 1–71.

Haniffa, R., & Hudaib, M. (2007). Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics, 76*(1), 97–116.

Hassan, K., & Lewis, M. (2007a). *Handbook of Islamic Banking*. Edward Elgar Publishing.

Hassan, K., & Lewis, M. (2007b). Islamic banking: An introduction and overview. In K. Hassan & M. Lewis (Eds.), *Handbook of Islamic Banking* (Vol. 38): Edward Elgar Publishing.

Helfaya, A., & Moussa, T. (2017). Do board's corporate social responsibility strategy and orientation influence environmental sustainability disclosure? UK evidence. *Business Strategy and the Environment, 26*(8), 1061–1077.

Ho, V. H. (2017a). Comply or Explain and the future of nonfinancial reporting. *Lewis Clark L. Rev.*

Ho, V. H. (2017b). *How a "Comply or Explain" rule would improve nonfinancial disclosure*. https://clsbluesky.law.columbia.edu/2017/03/14/how-a-comply-or-explain-rule-would-improve-nonfinancial-disclosure/.

Hsu, F. J., & Chen, Y.-C. (2015). Is a firm's financial risk associated with corporate social responsibility? *Management Decision, 53*(9), 2175–2199.

Hummel, K., & Schlick, C. (2016). The relationship between sustainability performance and sustainability disclosure–reconciling voluntary disclosure theory and legitimacy theory. *Journal of Accounting and Public Policy, 35*(5), 455–476.

Iatridis, G. E. (2013). Environmental disclosure quality: Evidence on environmental performance, corporate governance and value relevance. *Emerging Markets Review, 14*, 55–75.

Indahl, R., & Jacobsen, H. G. (2019). Private equity 4.0: Using ESG to create more value with less risk. *Journal of Applied Corporate Finance, 31*(2), 34–41. doi:https://doi.org/10.1111/jacf.12344.

Iswanaji, C. (2018). Challenges inhibiting Islamic banking growth in Indonesia using the analytical hierarchy process. *Journal of Islamic Economics Lariba, 4*(2), 97–107.

Jamaldeen, F. (2012). *Islamic Finance for Dummies*. Wiley.

Jan, A., Marimuthu, M., Marimuthu, M. P., & Isa, M. (2019a). The nexus of sustainability practices and financial performance: From the perspective of Islamic banking. *Journal of Cleaner Production, 228*, 703–717.

Jan, A., Marimuthu, M., & Hassan, R. (2019b). Sustainable business practices and firm's financial performance in Islamic banking: Under the moderating role of Islamic corporate governance. *Sustainability, 11*(23), 6606.

JawaPost.com. (2021). *Merger 3 bank syariah efektif 1 Februari 2021 dengan Nama BRISyariah.* https://www.jawapos.com/ekonomi/21/10/2020/merger-3-bank-syariah-efektif-1-februari-2021-dengan-nama-brisyariah/.

Källum, M., & Sturesson, H. (2017). *Financial leverage: The impact on Swedish companies' financial performance* (Bachelor), Linnaeus University, Sweden. https://www.diva-portal.org/smash/get/diva2:1136627/FULLTEXT01.pdf.

Kamla, R., & Rammal, H. G. (2013). Social reporting by Islamic banks: Does social justice matter? *Accounting, Auditing Accountability Journal*.

Kao, E. H., Yeh, C.-C., Wang, L.-H., & Fung, H.-G. (2018). The relationship between CSR and performance: Evidence in China. *Pacific-Basin Finance Journal, 51*, 155–170.

Khan, M., Serafeim, G., & Yoon, A. (2016). Corporate sustainability: First evidence on materiality. *The Accounting Review, 91*(6), 1697–1724.

Khan, S. (2020). *Growth of global Islamic finance industry to slow in 2020–21 due to pandemic*. S&P says.

Kidd, C. V. (1992). The evolution of sustainability. *Journal of Agricultural Environmental Ethics, 5*(1), 1–26.

Komite Nasional Ekonomi dan Keuangan Syariah. (2019). *Indonesian govt in best efforts to boost Islamic economy*. https://knks.go.id/berita/11/indonesian-govt-in-best-efforts-to-boost-islamic-economy?category=2.

Lehner, O. M., & Harrer, T. (2019). Accounting for economic sustainability: Environmental, social and governance perspectives. *Journal of Applied Accounting Research.*

Li, C. (2016, January). Islamic finance in Asia: Recent developments and regulatory issues. *Asia Focus*.

Listyaningsih, E., & Krishnamurti, C. (2015). How performance of Jakarta Islamic Index (JII) stocks relative to other stocks? *Jurnal Dinamika Manajemen, 6*(2).

Lokuwaduge, C. S. D. S., & Heenetigala, K. (2017). Integrating environmental, social and governance (ESG) disclosure for a sustainable development: An Australian study. *Business Strategy and the Environment, 26*(4), 438–450.

Lourenço, I. C., Branco, M. C., Curto, J. D., & Eugénio, T. (2012). How does the market value corporate sustainability performance? *Journal of Business Ethics, 108*(4), 417–428.

Lukman, H., Suhendah, R., & Evan, J. (2020). *Analysis corporate social responsibility and environmental performance report forward financial performance on proper ranking companies in Indonesia.* Paper presented at the International Conference on Management, Accounting, and Economy (ICMAE 2020).

Martínez, J., Banerjee, S., & García, I. M. (2016). Corporate social responsibility as a strategic shield against costs of earnings management practices. *Journal of Business Ethics, 133*(2), 305–324.

Michaels, A., & Grüning, M. (2017). Relationship of corporate social responsibility disclosure on information asymmetry and the cost of capital. *Journal of Management Control, 28*(3), 251–274.

Minutolo, M., Kristjanpoller, W., & Stakeley, J. (2019). Exploring environmental, social, and governance disclosure effects on the S&P 500 financial performance. *Business Strategy and the Environment, 28*(6).

Molala, R. (2019). *MLmuse: Correlation and collinearity—How they can make or break a model.*

Ng, A. C., & Rezaee, Z. (2012). *Sustainability disclosures and cost of capital*. Available at SSRN 2038654.

Orsagh, M., Allen, J., Sloggett, J., & Dehman, N. A. (2019). *ESG integration and Islamic finance: Complementary investment approaches.* https://www.unpri.org/download?ac=9578.

Othman, R., Thani, A. M., & Ghani, E. K. (2009). Determinants of Islamic social reporting among top Shariah-approved companies in Bursa Malaysia. *Research Journal of International Studies, 12*(12), 4–20.

Peng, L. S., & Isa, M. (2020). Environmental, social and governance (ESG) practices and performance in Shariah firms: Agency or stakeholder theory? *Asian Academy of Management Journal of Accounting and Finance (AAMJAF), 16*(1), 1–34.

Ping, F. B. (2020). Greater engagement among exchanges on ESG disclosure and products. https://www.wealthandsociety.com/updates-and-articles/greater-engagement-among-exchanges-on-esg-disclosure-and-products.

Pullman, M. E., Maloni, M. J., & Carter, C. R. (2009). Food for thought: Social versus environmental sustainability practices and performance outcomes. *Journal of Supply Chain Management, 45*(4), 38–54.

Puri-Mirza, A. (2020). *Islamic financial sector—Statistics & facts.* https://www.statista.com/topics/6345/islamic-financial-sector/#:~:text=The%20total%20value%20of%20all,Islamic%20law%20or%20the%20Shariah.

Que, A., Lau, C., Chan, E., Wong, G., Cheung, K., Leung, M., ... (2020). *Tougher ESG reporting requirements to take effect from July 2020.*

Rahman, R. (2020). *Indonesia's ranking in Islamic finance jump six spots but major challenges remain.* https://www.thejakartapost.com/news/2019/11/13/indonesias-ranking-in-islamic-finance-jump-six-spots-but-major-challenges-remain.html.

Said, R., Abd, K., Mohd, N. Z., Ilias, N. F., & Omar, N. (2018). Corporate social responsibility disclosure index of Malaysian Shariah–compliant companies. *International Journal of Ethics and Systems, 34*(1), 55–69.

Sairally, B. S. (2015). Integrating environmental, social and governance (ESG) factors in Islamic finance: Towards the realisation of maqasid al-shari'ah. *ISRA International Journal of Islamic Finance, 7*(2), 145.

Salma, B. (2013). Evaluating the corporate social performance of Islamic financial institutions: An empirical study. *International Journal of Islamic and Middle Eastern Finance and Management, 6*(3), 238–260. https://doi.org/10.1108/IMEFM-02-2013-0026

Sarker, M. N. I., Khatun, M. N., & Alam, G. M. (2019). Islamic banking and finance: Potential approach for economic sustainability in China. *Journal of Islamic Marketing.*

Schacht, J. (1995). Law and justice. In A. K. S. L. P. M. Holt, and V. Bernard Lewis, 2B (Ed.), *The Cambridge History of Islam* (Vol. 2, pp. 539–568). Cambridge University Press.

Schoon, N. (2008a). Islamic finance-A history. *Financial Services Review, 1*, 10–12.

Schoon, N. (2008b). Islamic finance—An overview. *European Business Organization Law Review, 9*(4), 621–635.

Services, B. P. (2020). Does Shariah-compliant finance have the power to change the world? Retrieved November 03, 2020, from https://www.bloomberg.com/professional/blog/does-shariah-compliant-finance-have-the-power-to-change-the-world/.

Siddiqi, M. N. (2004). *Riba, bank interest and the rationale of its prohibition.* Islamic Research and Training Institute Jeddah.

Sitorus, R. (2021). Resmi! Merger Bank Syariah BUMN Kantongi Izin dari OJK. https://finansial.bisnis.com/read/20210127/90/1348702/resmi-merger-bank-syariah-bumn-kantongi-izin-dari-ojk.

Subramaniam, R. K., Samuel, S. D., & Mahenthiran, S. (2015). Liquidity implications of corporate social responsibility disclosures: Malaysian evidence. *Journal of International Accounting Research, 15*(1), 133–153.

Sun, W., & Cui, K. (2014). Linking corporate social responsibility to firm default risk. *Journal of Asian Economics, 32*(2), 275–287.

Taktak, N. B., & Farooq, O. (2014). Shariah-compliance and value of analysts' recommendations: Evidence from the MENA region. *Journal of Islamic Accounting Business Research.*

Taqi, U. M. (1998). *An introduction to Islamic finance.* Karachi: Idaratul Ma'arif.

Tarmuji, I., Maelah, R., & Tarmuji, N. H. (2016). The impact of environmental, social and governance practices (ESG) on economic performance: Evidence from ESG score. *International Journal of Trade, Economics and Finance, 7*(3), 67.

UCLA. (2020). *What is sustainability?* https://www.sustain.ucla.edu/what-is-sustainability/.

Ur, Z., Zahid, M., Rahman, H. U., Asif, M., Alharthi, M., Irfan, M., & Glowacz, A. (2020). Do corporate social responsibility disclosures improve financial performance? A perspective of the Islamic banking industry in Pakistan. *Sustainability, 12*(8), 3302.

Uyar, A., Kuzey, C., & Kilic, M. (2020). Sustainable stock market and sustainability reporting propensity of the public sector: Mediating role of the private sector. *International Journal of Public Administration*, 1–14.

Waddock, S. A., & Graves, S. B. (1997). The corporate social performance–financial performance link. *Strategic Management Journal, 18*(4), 303–319.

Wang, D.H.-M., Chen, P.-H., Yu, T.H.-K., & Hsiao, C.-Y. (2015). The effects of corporate social responsibility on brand equity and firm performance. *Journal of Business Research, 68*(11), 2232–2236.

Wibowo, A. J. (2012). *Interaction between corporate social responsibility disclosure and profitability of Indonesia firms.* Paper presented at the UMT 11th International Annual Symposium on Sustainability Science and Management.

Wibowo, S. S. A., & Rohyati, E. (2018). The effect of working capital turnover and profitability of inventory turnover manufacturing companies listed in Indonesia stock exchange. *Journal of Applied Accounting Taxation, 3*(3), 95–98.

Woodhead, J. (2020). *Sustainability reporting in Indonesia.* https://www.challengesustainability.com/Sustainability-reporting-in-Indonesia_53.html.

Zuraida, Z., Houqe, M. N., & Van Zijl, T. (2018). *Value relevance of environmental, social and governance disclosure.* Edward Elgar Publishing.

Zyadat, A. A. H. (2017). The impact of sustainability on the financial performance of Jordanian Islamic banks. *International Journal of Economics Finance, 9*(1), 55–63.

Zuraida Zuraida, Ph.D. is a senior lecturer in Accounting at the Faculty of Economics and Business, Syiah Kuala University (USK), Banda Aceh, Indonesia. She earned her first degree in Economics majoring in Accounting from USK; an MBA from Edith Cowan University, Australia and a Ph.D. in Accounting from Victoria University of Wellington, New Zealand. She was a Fulbright Visiting Scholar at the New York University Stern Center for Sustainable Business in 2019 with a research focus on environmental, social and governance (ESG) factors. Zuraida has presented papers in major academic conferences held in the different parts of the globe. Academic publications in recent years include papers in Indonesian Journal of Sustainability Accounting and Management; Journal of Finance and Banking and in Edward Elgar book section of Handbook of Finance and Sustainability.

Asna Husin, Ph.D. teaches Philosophy of Education & Islamic Civilization at Ar-Raniry State Islamic University (UIN Ar-Raniry) scholar at the McLean Center for the Study of Culture and Values, The Catholic University of America (Washington D.C.). She received Fulbright Scholarship for Master's Degree in Middle Eastern Studies at Harvard University (1990–1992), and for Doctorate in Religious Studies at Columbia University (1993–1998). She was granted Fulbright Scholarship for 'Access to Muslim World' as visiting scholar at Santa Fe Community College in Gainesville, Florida (2006). She served as an Associate Fellow at the 'Center for the Study of Human Rights' at Columbia University (1998), while teaching Introduction to Islam as Adjunct Professor at the State University of New York (SUNY) – Old Westbury. She worked as 'Director of Women's Program' for the World Conference on Religion and Peace in New York when she organized in 1998 the 'World Women Assembly' in Amman, Jordan, attended by women's religious organizations from thirty-three countries. Dr. Husin founded and directed the NGO 'Peace Education Program' (Program Pendidikan Damai, an independent affiliate of Nonviolence International). She actively participates in scholarly conferences worldwide, and publishes on Islamic peace studies, human rights and gender equity, Ulama institutions, educational philosophy as well as civilizational resources.