Factors Determining Social and Environmental Performance of Islamic Companies: Analysis of Sustainability Related Reporting Practices

Fernando Llena[1] , Mohammad Talalweh[2]

ABSTRACT

The aim of this paper is to analyze the sustainability performance of Islamic World companies and determine some factors that could define their sustainability practices and performance focused on traditional variables and also on cultural characteristics of a company's CEO. This paper investigates the sustainability performance of a sample of the thirty companies belonging to Islamic World through the analysis of their sustainability reports available on the web. Content analysis and several statistics tests like multi-variant linear regression were applied. Under accountability approach the commitment to sustainability performance is evaluated. The results show a relevant sustainability performance of firms with difference between social, economic and environmental components. Also finds sustainability performance is influenced by size of the firm and several cultural variables like location where the CEO gained professional experience.

Keywords: Corporate Social Responsibility, Sustainability Reporting, Sustainable Development.

INTRODUCTION

Concepts such as sustainability and corporate social responsibility (CSR) have defined a new business approach that leave a reductionism model which was only focused on shareholders' interest and on firms' financial and economic concerns (Freeman, 2010). In fact, sustainability has been a key factor in the corporate sphere during the last twenty years. In this way, sustainability is a tool that harmonizes the internal activities of a company with the external sphere in which it operates, but not at the expense of its business functions (Szekely and Knirsch, 2005). Companies' managers have become to recognize the role of sustainability in optimizing and refining their strategic

policies, in a way that ensures their competitiveness in a globalized market, while avoiding, at the same time, the social and environmental deterioration that typically is associated to economic growth and globalization. Thus, it is not strange that sustainable development has been figured highly in the development of organizational strategies and regarded as a concept which promotes competitiveness and efficiency (Deegan, 2004). That is, sustainable development is directly linked to corporate social responsibility and transparency, and it is now imperative that every socially responsible organization consider its actions in light of social and environmental development issues, and then conduct said actions with transparency (Moneva*et al.*, 2006).This is typically conducted by reporting the companies' economic, social and environmental impacts through sustainability disclosures. Such reports generally promote firms' transparency and act as an adequate way to communicate with their stakeholders (Manetti, 2011). In addition, sustainability reports serve as useful instruments for

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[1]Associate Professor at University of Saragossa, Spain. fllena@unizar.es
[2]Assistant Professor at Al-Quds Open University, Palestine. mtalalwa@qou.edu

strategic management, because of several reasons: (i) their ability to facilitate the dialogue between the corporate and its stakeholders; (ii) they help a given company to incorporate and develop new positions and attitudes on ethics and corporate transparency; (iii) they allow managers to integrate the environmental, social and economic objectives relative to their key competitors, and to include this objectives in their investment decisions. Furthermore, and among other factors, sustainability reports allow companies to communicate their social and environmental performance to stakeholders. All of these considerations have motivated corporations around the world further towards an increasing openness of social and environmental disclosure. Thus, as(Deegan 2002) indicates, companies can be both influenced by and be an influence on society, and, therefore, managers can influence external opinions about their organization. That is, while companies can change their operations structure according to the stakeholders expectation views of the public or independent bodies, they can also be managed, as stated by Institutional Theory (Campbell, 2007), in a way that modifies the perceptions of individuals and stakeholders about their legitimacy.

However; sustainability reporting practices vary among countries and industries (Orij, 2010). As an example Kolk (2005) shows relevant differences between countries in Europe. However, in other contexts such as the Islamic World, mainly represented by developing countries, sustainability reporting remains very scarce (Abu-Baker, 2000, Islam and Deegan, 2008).To date, only a limited group of Islamic companies have published a sustainability report according to the global reporting initiative (GRI) guidelines. However, it seems not advisable for the companies of such countries, despite their inexperience in the field, to distance themselves from the common

goal of sustainability-especially during the controversial economic settings and environmental uncertainty that currently dominate the globe. This is because the contribution of these companies to the global economy and its role within that economy is becoming increasingly. This process involves quick population growth and improvement in living standards but also an increase in the consumption of oil, water, and other resources related to the fast industrialization. Thus, sustainability reporting can be a key driver to enhance transparency of that firms, also acting as a catalyst for driving sustainability performance.

Towards the end of the 20th century, sustainable development and a watchful vigilance on the results of actions in the economic, social, and environmental dimensions ceased to be a trend or a competitive tool, and instead became a necessity. Social and Environmental Reporting became a critical goal for Western world firms, and organizations became implementing their commitment to sustainable development mainly through the *Global Reporting Initiative* (GRI) framework in 1997.During the past decade, the concept of transparency and its expression through GRI-based Sustainability Reports has taken root in the discourse on corporate social responsibility (Levy and Kaplan, 2006). Such initiatives are also beginning to be implemented in non-developed countries across the world, leading to a high degree of awareness on sustainability as a fundamental need and a right for future generations.

The growing importance of social practices in companies is opening up an informative demand from diverse users who desire to examine the company's ethical behaviour (Llena*et al.*, 2007). The creation of a disclosure system that gathers information about the social responsibility assumed by the company and periodically issues reports in the public domain,

regarding corporate activity conducted in the sector, is essential to improve relations between a corporate body and its stakeholders. External auditing of publications is an important element in providing credibility to the social practices contained within a sustainability report.

There are currently many companies which publish Sustainability Reports, but the majority can be found in developed Western countries (KPMG, 2005). Undeveloped countries experience numerous problems when implementing sustainability reports, as their companies suffer less media pressure, which is mostly focused on government propaganda, and the public is ill aware of the spreading application of CSR (Kemp, 2001). In the Islamic World, the GRI has not yet made a major impact, and very few companies publish sustainability reports based on the GRI guidelines, regardless of their worldwide economic power.

While most research about sustainability reporting practices has focused on Western Europe, Australia, and the U.S. it is worth mentioning that research about this topic related within Islamic countries' companies is still in its infancy (Baskin, 2006; Salama, 2009).

According with the 'Triple Bottom Line' (TBL) approach, this paper aims to analyze the social, environmental and economic performance in Islamic world companies[1] through their sustainability reports. Moreover, this research investigates about the key factors that influence their social and environmental performance by focusing on the characteristics of a company's CEO as proxy of cultural effect. Thus, this paper provides interesting insights about the CSR practices of non-westernized economies and cultures, such as that of Islamic world.

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[1] All companies operating in the Islamic World.

The Islamic Accountability Framework

The Islamic principles upon which companies operate give an important role to social issues (Maali *et al*, 2006). Economic relationships for a Muslim are based on the Accountability concept, itself originated from a main religious *Shari'a* aspect. Therefore, economic activity and accountability are, for the Islamic believer, joint concepts and practically aspects of the same idea. It is, thus, an interior impulse, which does not require external laws or social contracts.

Lewis (2006) claims that companies (or managers) could use financial reporting as an obligation for full accountability to the *Ummah* (Society). However, Muslim managers believe that they are answerable to their stakeholders in addition to God in the afterlife. Therefore, they ought to do what is necessary to discharge their accountability. Baydoun and Willett (2000) argue: 'Private accountability and limited disclosure are insufficient criteria to reflect the ethical precepts of Islamic law'. Consistency of disclosure practices with Islamic law requires application of the more all-embracing criteria of social accountability and full disclosure. Thus, ownership rights in Islam do not give humans unlimited authority to dominate in order to satisfy their desires. It is, rather, a trust and a function that humans exercise pursuant to Islamic regulations.

Therefore, any Muslims who are entrusted with any mission, regardless of size or importance, whether individually or collectively, are accountable to whoever delegated it to them for their actions and performance. The obligation originates from this accountability, requiring the accountees to maintain the property and the resources under their responsibility. In other words, use them efficiently, honestly and with integrity in order to serve the accountor's interests, and thus, in doing so, ensure that there is no bad administration and trespassing on the interests of the accountor and the community.

This is, of course, an ideal view, as economic actors in the Islamic World need not be true believers, even if they follow the Islamic cultural pattern. In addition, the Shari'a is a religious law that is supposed to be followed and cherished by Man's own will.

As Maali *et al.* (2006) indicates research on social reporting in Islamic world is scarce until the first years of XXI century. In this sense, Abu-Baker and Naser (2000) analyze the corporate social disclosure practices in a sample of 143 companies from four different industries in Jordan. The results reveal that disclosure is low and the most commonly themes disclosed were human resources and community involvement.

Haniffa (2001) developed a model of social reporting for Islamic Businesses in Malaysia. Kamla et al. (2006) elaborate and discuss key Islamic principles of relevance and delineate what they suggest for accounting.

Belal (2001) studies the extent of social disclosures in Bangladesh and explores the socio-political and economic context in which these disclosures take place. Haniffa and Cooke (2002, 2005) examine the importance of various corporate governance and cultural characteristics (like religion) as possible determinants of social disclosure in Malaysian listed corporations.

In the other hand, Maali et al (2006) develop a benchmark set of social disclosures contained in annual reports of Islamic banks in sixteen countries. Moreover, analyzes the volume of social disclosures. The results show that this information is scarce and that banks required to pay *Zakah* provide more social disclosures than banks not subject to this religious tax.

Most recently other authors research about social disclosures in other countries like Saudi Arabia (Alsaeed, 2005), Egypt (Salama, 2009; Hussainey et al, 2011), Bangladesh (Islam and Deegan, 2008, 2010), Malaysia (Ghazali, 2007; NikNazly et al, 2009) or Lybia (Bayoud et al, 2012).

The accounting literature also finds that some companies carry out activities of CSR in response to a moral commitment instead of for economic reasons (Etzioni, 1988). Such a commitment would be integrated into the effect area of the so-called 'non-traditional factors'. Ethical considerations would thus have a close relationship with the culture of firm managers (Andersson *et al.,* 2005).

Culture is the set of uses, traditions, amount of knowledge and grade of development of a social group that shares a similar behaviour pattern and invokes a common origin (Smith*et al.*, 2005). It is considered an important determinant of public perceptions toward various concerns and, therefore, cultural values in a given country play an important role in determining public perceptions toward CSR and accounting practices in general (Jaggi and Low, 2000). However, it is very difficult to reflect it as a measurable variable within a statistical analysis. Several papers such as Haniffa and Cooke (2005) and Brammer et al (2007) were forced to turn to intuitive and partial choices for their selection of proxies in order to obtain measurable data.

The cultural characteristics of a company's CEO are relevant to quantify the cultural effect ,because of CEO is often the cornerstone of the entire organization. A CEO who lacks ethics will rarely feel influenced by the concepts of CSR and accountability, being only driven by the company's financial performance. Sustainability performance only takes place when the CEO assumes an active attitude toward it (Szekely and Knirsch, 2005).

RESEARCH METHOD
Sample Selection
We analyze reports from companies of the Islamic World registered in the 'GRI Reports Database'. (www.globalreporting.org). All these companies have had their current or previous sustainability memories

accredited according to the G3 standard, as required. The analysis includes 2009 memories, given the limited amount of data available previously in the years 2006-2008. The sample used in this study comprises 30 companies from the Petrochemical, Service, Industrial, and Financial sectors. But the sample incorporated all companies of the Islamic World which have published a sustainability report according to the global reporting initiative (GRI).

The First methodology applied to assess the sample's performance on sustainability involved a content analysis previously used in other social and environmental research (Gray*et al.*, 1995; Llena*et al.*, 2007; Acerete*et al.*, 2011). This technique requires an analytical tool that enables the thorough investigation of each sustainability item within the accredited sustainability memory. This study analyzes the economic, environmental and social indicators, considered the main performance factors in the G3 GRI Guide.

The information provided for these different performance indicators is rated according to the following scale:

- a value of *1* if information is deemed as complete,

- *-0* if information is unavailable or there is no evidence provided

- *0.5* if information is deemed as incomplete or insufficient.

The second methodology

A total score was obtained for each company, which we take as the indicator for the quality of the report and as a proxy variable for sustainability performance (Moneva *et al.*, 2007). These indexes were also used in the statistical analyses carried out to test the hypotheses: ANOVA and *t* test to search if there was a correlation between some firms' variables and the level sustainability performance; and a multi-variant linear regression to show the relationship between sustainability performance and factors (traditional and non traditional like culture).

Variables of the Study

Independent variables are used to comprehensively evaluate the relationship between the performance level of the social, economic, and environmental aspects. In previous research, a series of traditional variables, like *size*, have been useful to understand social corporate responsibility while also statistically significant in their correlation to corporate characteristics (Fulop*et al.*, 2000;Ho and Taylor, 2007), although we incorporate variables more adequate to the Islamic context. For instance, sustainability is not yet recognized in the majority of the Islamic business sector (Belal, 2001). Therefore, a company CEO's personal background and attitude towards it becomes a significant factor Proxies applied included are: the highest level of education attained of the CEO, location of the academic institution where the CEO studied, nationality of the CEO and locations of the CEO's professional experience. Furthermore, the number of years as a CEO was used as a proxy for work experience.

Table 1. Constructs of the Independent Variables

Independent Variable	Method of Assigning Value
VEXT: Independent (external) Verification of the sustainability report	'1' if the sustainability reported was audited externally and '0' if not.
NoRE: Number of Annual Sustainability report Publications	Numbers (1……n)
SSUP: Sector Supplement according to the GRI Guidelines	If prescribed '1', if not '0'
LAPL*: Sustainability Report's Level based on the GRI Scale	Scale [1 to 6]
GCPA: Global Compact Participant	If supportive '1', and if unsupportive '0'
NPAG: Size of the Sustainability Report	Number of Pages in a volume
NEMP: Corporation Size	Number of Employees
LEDU: Highest Level of Educational Attainment of the CEO	'1' if postgraduate, equivalent or higher and '0' if less than postgraduate or equivalent
LOCI: The Location of the Academic Institution where the CEO studied	'1' if the CEO studied in a non-Islamic state and '0' if he/she has only studied in an Islamic state
NACI: Nationality of the CEO	'1' If a citizen of a non-Islamic state and '0' if solely a citizen of an Islamic state
LEXP: Locations of the CEO's Professional Experience	'1' If the CEO has experience in non-Islamic state and '0' if solely experienced in an Islamic state
YEXP: Laboral Experience	Years worked in the Managerial environment as a CEO

* Please note that LAPL is a rating based on the GRI scale, but is not necessarily verified by the organization itself

Table 1 provides both a resume of the independent variables used in the second analysis and the methodology used to assign a numerical value to each one. The second analysis involved the use of multi-variant linear regression to demonstrate the relationship between sustainability performance and the factors, both traditional and non-traditional, as identified in Table 3. In this sense, among the most common proxies used for measuring culture are those of religion, gender, race, or nationality (Hamid *et al.*, 1993).

However, religion and gender are redundant for the Islamic World, because executives are almost exclusively male and Muslim. Therefore, proxies such as educational level, experience, country where studies were conducted and nationality are more adequate for measuring the CEO culture (Chuah, 1995).

Data Analysis

The analysis of the sustainability reports at the

performance level groups the aforementioned results according to the economic, social and environmental dimensions it is then followed by the calculation of an overall sustainability performance index from the average

of those three dimensions. Appendix 1 and Figure 1 show a relevant level of firms sustainability performance, with more focus on social and economic dimensions.
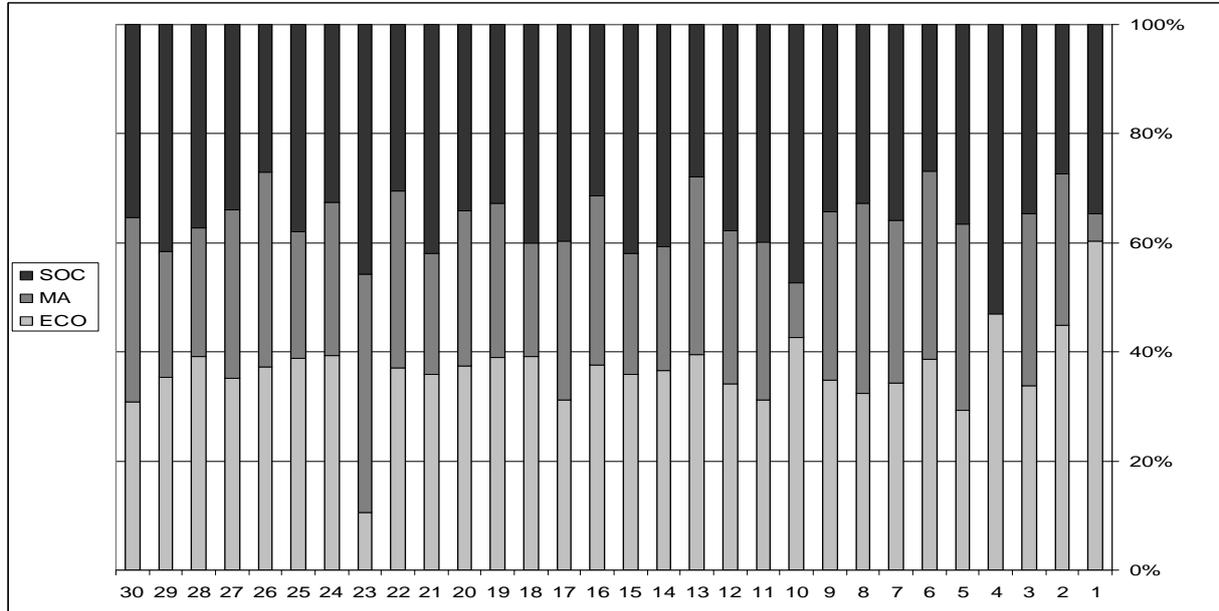

Figure 1: TBL performance in Companies (%)

Figure1 shows the general distribution of the three dimensions according to the sustainability reports of the sample companies. The figure reflects the sample's heterogeneity and the way in which the companies disclose information.

According to the GRI (2006), a good sustainability report ought to demonstrate the best balance between the

three dimensions from the TBL. Actually, this balance rarely occurs. This happens because marketing, corporate public image, and corporate politics favoured by a given sector are sensitive to public opinion. However, as Table 2 shows, the different sectors within the sample do not appear to produce significant differences in the levels of performance.

Table 2. Mean Average of the Indicators in Each Sector

Average of the Standardized Indicators	Petrochemical	Service	Industrial	Financial
Number of Companies	4	10	11	5
Economic	37%	41%	33%	36%
Environmental	31%	22%	29%	29%
Social	32%	37%	38%	35%

The variables chosen for the analysis of the factors that can influence the performance level of the three dimensions were taken both from the firm's economical variables and those traditionally associated with Western sustainability reporting, such as External Verification and the number of previous memories (experience).

The first step consisted of finding whether there was a correlation between the firms' principal economic variables and the level of sustainability performance for the social, economic, and environmental categories. The economic variables used were *total assets value*, *turnover*, *number of employees*, *return on equity* (ROE), and *return on assets* (ROA). In addition, an ANOVA and *t* tests were likewise undertaken to demonstrate the potential relationship between sustainability performance and belonging some industry. The ANOVA and *t* test results can be located in Appendix 1and support the descriptive analysis on Tables 2 and 3.

Previous studies (Hoand Taylor, 2007) support the use of those factors which reflect the *size* (total assets value, turnover, and number of employees), *profitability* (ROE and ROA), and *economic sector* dimensions. However, of those factors only the *number of employees* demonstrated a significant correlation (α< 10 %). Finally, the objective of this first analysis was to avoid issues relating to a weakened statistical potential of the second one, which was always a risk given the limited number Islamic World companies that publish accredited sustainability reports and the multiplicity of independent regression variables.

The literature reviewed does not agree on the issues about the relationship between *profitability* and social and/or environmental reporting and performance (Magness, 2006). Some researchers report either a negative or, even, a non-existent relationship (Freedman and Jaggi, 1988; Neu*et al.*, 1998), whilst others have found a positive one (Cormier and Magnan, 2003; Moneva and Ortas, 2010). Concerning

the relationship of sustainability performance relative to the *size* or *economic sector*, Cormier and Magnan (2003) found that *size* is directly related to the extent of environmental concern and performance disclosure. Meanwhile, Llena*et al.* (2007) noted that the volume of environmental information provided by a corporation changed if it belonged to an industry with a greater known impact on the environment. The results from this paper coincide with those findings relating to size and sustainability performance as provided in a company's corporate social report, but they do not identify a relationship with all those factors discussed above.

Initially as a starting point, the following model and each of its component calculations was used four times: for each of the TBL criteria (social, environmental, and economic), and the generated mean of the three values combined:

$$Y_i = \beta_0 + \beta_1 VEXT + \beta_2 NoRE + \beta_3 SSUP + \beta_4 LAPL + \beta_5 GCPA + \beta_6 NPAG +$$
$$+ \beta_7 NEMP + \beta_8 LEDU + \beta_9 LOCI + \beta_{10} NACI + \beta_{11} LEXP + \beta_{12} YEXP +$$

Where:

Y_i:is the sustainability performance index as recommended by the GRI (G3 version) for each companie. As mentioned in italics, this index also measures the fulfilment of each individual category of the TBL.

β_0: Regression Constant

$\beta_1,…,\beta_{12}$: Partial Regression of the Independent Variables

ε: Error Term.

RESULTS AND DISCUSSION

Table 3 shows the results of the analysis of the four models regarding the economic, environmental, social and overall sustainability performances (this last one was based on the values generated from the previous three).

Table 3. Models Used for Each of the Dependent Variables

	Economic	Environmental	Social	Overall
Dependent Variables				
VEXT	**	***	**	**
NoRE(1)	A	-	-	-
SSUP(2)	-	-	-	A
LAPL(3)	***	***	***	***
GCPA(4)	-	-	-	-
NPAG(5)	A	-	-	-
NEMP(6)	*	**	**	**
LEDU(7)	-	-	-	A
LOCI(8)	-	*	-	-
NACI(9)	-	-	A	-
LEXP(10)	**	***	A	***
YEXP(11)	-	*	-	-
R^2	0.74	0.77	0.54	0,70
Adjusted R^2	0.63	0.70	0,43	0,61

Statistical Significance p-Value: *** (0.01);**(0.05);*(0.10).

A: present in the model, but not statistically significant

The R^2 value of the models is high. The other statistical tests that measure the fulfilment of the assumptions, and the correct specification of the model, are acceptable. The independent variables with a statistical significance coincide in the majority of cases

Table 4. Statistically Significant Variables for the Four Models

Independent Variables	Coefficient	T-Statistic	P Value (t)
Economic			
Constant	-0,015	-0,123	0,902
VEXT	-0,165	-2,275	0,036*
LAPL (3)	0,074	3,692	0,001***
NEMP (6)	6,259	2,099	0,051**
LEXP (10)	0,159	2,648	0,016**
Environmental			
Constant	-0,029	-0,276	0,785
VEXT	-0,257	-3,235	0,004***
LAPL (3)	0,118	5,697	0,000***

NEMP (6)	7,497	2,642	0,016**
LOCI (8)	-0,116	-2.062	0,053*
LEXP (10)	0,206	3,583	0,002***
YEXP (11)	0,006	1,788	0,090*
Social			
Constant	0,279	3,873	0,001***
VEXT	-0,234	-2,819	0,011**
LAPL (3)	0,092	4,324	0,000***
NEMP (6)	8,777	3,002	0,007***
Overall			
Constant	0,219	3,341	0,003***
VEXT	-0,169	-2,562	0,019**
LAPL (3)	0,083	4,934	0,000****
NEMP (6)	0,000	2,589	0,018**
LEXP (10)	0,174	3,083	0,006***

Statistical Significance *p*-value: ***(0.01);**(0.05);*(0.10).

The selected models demonstrate that the effect of the independent verification of the Sustainability Report (VEXT) relative to the level TBL performance is negative (Table 4). These findings are contradictory to those obtained by Moneva *et al.* (2006), and provoke a series of questions that need to be investigated in future papers. These findings may be linked to the recent introduction of CSR in the Islamic world, facilitated by the increasing liberalization of the Islamic economic and political spheres on a world scale (Abu-baker, 2000). Whilst such openness is evidently beneficial in the long-term, CEOs and their corporations may well not yet have the command and knowledge required to successfully navigate CSR as their western counterparts do.

The effect of the GRI application level (LAPL), independently certified or not, is statistically significant and this factor has a positive effect on sustainability performance. However, it is not necessarily indicative of the quality of said fulfilment, which could well be a consequence of the self-rating system which typically occurs in the Islamic corporate world and which can skew results. It was expected to find substantial differences between the ratings published in the sustainability reports and the calculation of the *y* value, which includes information relating to quality. However, the actual results indicate a positive lineal correspondence between the two, and this is in line with previous results found by Moneva*et al.* (2006).

The *number of employees* (NEMP) is a very common proxy used to estimate the size of a given corporation (Gallo and Christensen, 2011; Tagesson*, et al.,* 2009). As expected, a positive relationship between the NEMP and the sustainability performance (social, environmental, economic and the overall values) is observed. This is likely to stem from the greater levels of financial and human resources dedicated to those business activities related to CSR and the necessity to maintain good public relations with customers, shareholders and the wider corporate sphere (Ho and Taylor, 2007).

With respect to the location of the CEO's Professional Experience (LEXP), it is a non-traditional variable seldom used in western literature, generally due to its irrelevance. However, in this case, LEXP plays an important role, because executives that have worked in non-Islamic countries substantially alter corporate governance and business norms. CEOs with experience in non-Islamic nations have a significant and positive influence on economic and environmental sustainability criteria, due to their personal and professional exposure to an environment where great attention is given to ecological issues. The equality between social performance in western-educated CEO-led companies and non-westernized CEO-led ones reflects the importance that Islamic culture and religion places on the social welfare of its citizens. Environmental issues, though mentioned in religious literature, have only been applied in the corporate world relatively recently, in response to Islamic calls for its people to return to the environmentally conscious traditions and lifestyles of Islam (Manzoor, 2005).

The model that explains the level of environmental performance has the highest quantity of statistically significant factors. For example, the number of years of labour experience of the CEO as a director (YEXP), used as a proxy for labour experience, is significant in this model, but with a weak positive influence on the level of fulfilment for this component of the TBL. Indeed, labour experience is one of the most important factors for assessing the performance of a CEO, and it correlates strongly with a given firm's environmental sensitivity and corporate attitude. This is because an experienced CEO appreciates the benefit of employing sound environmental practices, which often translates to improving corporate positioning and market opportunities that may bring about financial yields in the long term.

The location of the academic institution where the CEO studied (LOCI) also generates a correlation, albeit negative, with environmental performance. This is something, which first appears at odds with the other findings of the paper. These results, although unusual at first glance, are logical when one considers that many of the CEOs sent to non-Islamic nations to complete their education, often manage family-based companies, and, though open to western environmental sensitivity and practices, they are committed when trying to implement western changes to the traditional family business values and operating structure.

In summary, traditional and non-traditional variables affect the sustainability performance of each TBL criteria. The location of the CEO's Professional Experience (LEXP) as a non-traditional variable has an important positive influence. This is indicative of the role cultural values play in a given country in determining public perceptions toward CSR and sustainability performance: 'Examining societal values or culture would be helpful in identifying countries that would have different perceptions of a company's stakeholders and their influences on corporation's CSR disclosure practices'(Smith*et al.,* 2005). This is particularly the case here.

Concluding remarks

The sustainability reporting process makes little impact and sense if not accompanied by continuous improvement. In the last few years, there has been a spectacular growth in the number of companies that have released sustainability reports and a simultaneous improvement in quality (Leszczynska, 2012). Yet many aspects still require developmental change in order to meet the expectations of stakeholders. Considering that firms operating in the Islamic World generally have relatively limited experience with sustainable practices, their success in fulfilling sustainability criteria is

commendable, and an encouraging sign of progress.

We confirmed that there is a relationship between some of the characteristics of corporate governance and sustainability. Its main finding is the significant correlation between the CEO's Professional Experience (LEXP) and a company's sustainability performance. Notwithstanding, the absence of a connection between sustainability performance and a company's core business industry doesn't coincide with the findings of the literature examined. However, this could be because of the scarcity of companies located in the Islamic World that release sustainability reports and the particular culture of Islamic countries.

Sustainable development is a concept continually receiving growing attention in the corporate world due to the current economic downturn and increasing political focus on global environmental issues such as climate change. What was solely regulated by market forces is now subject to increasing government scrutiny. Together they are a formidable unified voice capable of exerting greater pressure on financial and governmental regulators to ensure that the current global crisis will not repeat. The regulation of CSR is thus an integral component of public political agenda in environmental and sustainability discourse.

The development of a code of practice for sustainability reporting for Islamic nations is a desirable goal. This code should not be a copy of those of the western nations but something specifically adapted to the Islamic World, through the incorporation of non-traditional variables such as those presented here. Culture is one particular factor that should be more extensively examined through the use of sociological methods facilitating interviews with the board of directors.

Like most researcher, this study also has its own limitations. Firstly analyzed sustainability memoranda present a heterogeneous format in spite of following GRI guide indications, an outcome which berates their comparative analysis. In addition The analyzed period is restricted to the year 2009. Before that, sustainability memoranda following the GRI(G3) guidelines for the Islamic World are rather scarce.

This study has resorted mainly to annual reports, fims' web-pages and sustainability memoranda in order to gather its data. Such means as reviews, communications, documentaries, marketing systems and general propaganda may be of great use for future studies.

Appendix 1: Sustainability Performance Score

Number	Company Names	*ECO*	*MA*	*SOC*	*OVERALL*
1	SOROUH REAL ESTAT	0.36	0.03	0.21	0.29
2	AL DAR	0.71	0.44	0.44	0.56
3	DOLPHIN ENERGY	0.86	0.79	0.88	0.85
4	TURISM DEVELOPMENT COMPANY	0.57	-	0.64	0.61
5	KULIM (MALAYSIA) BERHAD	0.43	0.50	0.53	0.49
6	UEM GROUP	0.86	0.76	0.59	0.75
7	PLUS EXPRESS WAYS BERHAD	0.71	0.62	0.75	0.70
8	DRB-HICOM/MALAYSIA(BERHAD)	0.71	0.76	0.72	0.73
9	METITO	0.50	0.44	0.49	0.48
10	DR.SOLIMAN FAKEH	0.50	0.12	0.55	0.49

11	ARAMEX	0.57	0.53	0.73	0.62
12	NUQIL GRUPO	0.71	0.59	0.79	0.71
13	SEKEM	0.79	0.65	0.55	0.68
14	ANADOLU EFES AND MALTA INDUSTRY	0.57	0.35	0.64	0.55
15	ARCELIK	0.43	0.26	0.50	0.42
16	BUMI ARMADA	0.43	0.35	0.36	0.38
17	COCA –COLA LCECEK	0.57	0.53	0.73	0.62
18	DOGUS GROUP SERVIC	0.50	0.26	0.51	0.46
19	ENGRO POLYMER CHEMICALS	0.86	0.62	0.72	0.74
20	MALAYSIA RESOURCES CORPORATION BERHAD	0.93	0.71	0.85	0.84
21	MILTEKS	0.29	0.18	0.33	0.28
22	PETRONAS	0.57	0.50	0.47	0.52
23	SLN TEKSTIL	0.07	0.29	0.31	0.28
24	PT TELEKOMUNIKASI INDONESIA	0.79	0.56	0.65	0.68
25	TELEKOM MALAYSIA	0.79	0.47	0.77	0.71
26	NATIONAL BANK ABU DAHABI	0.64	0.62	0.47	0.59
27	NATIONAL COMERIAL BANK	0.57	0.50	0.55	0.54
28	AK BANK	0.79	0.47	0.75	0.70
29	MAY BANK	0.50	0.32	0.59	0.50
30	TSKB	0.21	0.24	0.25	0.23

ECO: index of economic performance, MA: index of environmental performance, SOC: index of social performance,

OVERALL: general index of sustainability based on the values generated of the three previous.

Appendix 2: ANOVA test

Sustainability dimensions	*F*-test	*p-value*
Economic	1,692	0,193
Environmental	0,446	0,722
Social	0,630	0,602

Table shows the results of a ANOVA test. It establishes the joint equality of the

sustainability performance four business sector medians. Second column illustrates

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العوامل المحددة للأداء الاجتماعي والبيئي للشركات الإسلامية: دراسة تحليلية لاستمرارية تقارير الاستدامة

فيرناندو يينا [1]، محمد تلالوة [2]

ملخص

هدفت هذه الدراسة إلى تحليل العوامل المؤثرة على تقارير الاستدامة للشركات الموجودة في العالم الإسلامي ولديها تقارير استدامة متاحة ومنشورة على المواقع الإلكترونية الخاص بها. حيث تم دراسة العوامل التقليدية وغير التقليدية المتمثلة في الخصائص الثقافية للمدراء التنفيذيين. ولفحص أثر هذه العوامل على أداء تقارير الاستدامة تم استخدام المنهجية الملائمة لمثل هذه الدراسات وهي تحليل المحتوى كما تم استخدام الأساليب الإحصائية منها تحليل الانحدار المتعدد. وتبين أن هناك 30 شركة لديها تقارير الاستدامة ومتاحة على مواقعها الالكترونية في العالم الإسلامي فقط. وخلصت الدراسة إلى عدة نتائج أهمها: أن هناك اختلافاً في مستويات الأداء على المستويات الثلاثة وهي الاجتماعية والاقتصادية والبيئية وتبين أن العوامل التقليدية مثل حجم الشركة كان لها أثر على أداء تقارير الاستدامة ومن العوامل غير التقليدية المتمثلة في الخصائص الثقافية للمدراء التنفيذيين تبين أن مصدر خبرة المدراء التنفيذيين لها الأثر الواضح على أداء تقارير الاستدامة لهذه الشركات.

الكلمات الدالة: المسؤولية الاجتماعية، تقارير الاستدامة، التنمية الاجتماعية، العالم الإسلامي.

[1] استاذ مشارك و باحث في جامعة سرقسطة، اسبانيا

fllena@unizar.es

[2] استاذ مساعد وباحث في جامعة القدس المفتوحة، فلسطين.

mtalalwa@qou.edu