



Using SAFA's Social Dimension to Analyse Stock Value's Influence on 2023-2024 IDX Agricultural Sustainability Reports

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ABSTRACT

This study analysed the influence of social sustainability practices on the market valuation of Indonesian agricultural firms between 2023 and 2024. The performance in social sustainability was evaluated according to the criteria set by the FAO's SAFA framework. This research utilised an exploratory sequential mixed-methods design. The initial quantitative data were collected from the annual and/or sustainability reports of 30 firms over two years, resulting in a balanced panel of 60 firm-year observations. Data were analysed quantitatively using the Generalised Estimating Equations (GEE) to test the relationship between six social variables (Decent Livelihoods, Fair Trade Practices, Workers' Rights, Equality, Human Health & Safety, and Cultural Diversity) and stock prices. The results indicated that investors do not value all social aspects equally. Specifically, the variables Equity ($p < .001$) and Human Health & Safety ($p = 0.031$) were shown to demonstrate a statistically significant positive relationship with the company's market valuation. In contrast, the other four dimensions did not show a significant impact. The highest disclosure levels were found in themes related to regulatory obligations, such as Equality (0.98) and Workers' Rights (0.90), while Cultural Diversity (0.50) was the lowest. These findings fill a gap in the literature by identifying which social dimensions are valued by the market, providing strategic implications for companies to focus on practices relevant to investors.

INTRODUCTION

Sustainable agriculture is a central issue in international development efforts. As part of the global community, the Indonesian government has formally committed to implementing the Sustainable Development Goals (SDGs) as established by the United Nations, with a target of 2030. This commitment is manifested through various policy frameworks, including Presidential Regulation No. 59 of 2017, which affirms Indonesia's determination to integrate sustainability principles into its national development agenda (Ministry of National Development Planning & Bappenas, 2019). Successful sustainable development requires the close integration of economic, environmental, and social aspects, yet in the practice of Indonesia's agricultural sector, conflicts often arise where policies prioritise

economic growth over ecological sustainability and social equity (Amaruzaman et al., 2023; CIPS, 2022). Reflecting this complexity, the concept of sustainable development itself has evolved beyond these three dimensions to include a fourth: governance, which was formally incorporated by the United Nations Commission on Sustainable Development (CSD) as a key pillar, upon which the success of the other three depends (Brennan et al., 2023; Gayatri et al., 2016). Good governance is therefore crucial for navigating challenges in Indonesia, such as policy overlap, weak institutional coordination, and insecure land tenure for smallholders. Strengthening governance—through transparency, accountability, public participation, and law enforcement—is an absolute prerequisite for aligning various interests and ensuring that sustainable agricultural policies can be implemented effectively and equitably on the ground, making it possible to simultaneously achieve food security, improve farmer welfare, and preserve the environment (Cekindo, 2023; WRI Indonesia, 2021).

As a strong sector in Indonesia, agriculture is a major pillar of the country's economy. It plays a vital role in providing food, employment, and supporting national development. Empowering farmers through training, extension services, and developing marketing systems can improve their ability to manage their farms. Increasing agricultural productivity through modernisation and the use of technology also contributes to increased farmer incomes (Natadipura et al., 2024; Umar & Sibua, 2022). The well-being of farmers and rural communities extends beyond harvests and includes improving their quality of life through access to education, health, infrastructure, and the economy. Sustainable and inclusive agriculture, with decent incomes, technology, and active participation, is key. Gender equity, workers' rights, and social protection are also crucial (Khodijah et al., 2022). Agricultural development that is oriented towards social welfare increases productivity and creates a more just, prosperous and empowered society (Natadipura et al., 2024). Furthermore, food security based on local resources, such as the development of adaptive crop varieties, can strengthen community self-reliance and long-term socio-economic well-being. Investment in rural infrastructure, agricultural research, and social protection policies for farmers are strategic steps towards achieving inclusive and sustainable prosperity (Blesh et al., 2019; Pretty et al., 2011). Agricultural sustainability is not only about protecting the environment, but also about ensuring sufficient food availability, economic benefits for farmers, and social justice for all parties involved in the agricultural system (FAO, 2014a).

In an effort to promote sustainability, the Indonesian government enacted Law No. 40/2007 on Limited Liability Companies, which mandates that corporations must disclose their social and environmental responsibilities within their annual reports. Furthermore, the Financial Services Authority (OJK) has strengthened this regulation by requiring public companies to disclose CSR and sustainability activities in official reports, which directly impacts investor perceptions in the capital market (Mulyani et al., 2025). Sustainability Reports serve as an important management tool that not only drives improvements in a company's economic, social, and environmental performance, but also serves as environmental accounting that integrates sustainability aspects into economic decision-making. Sustainability Reports contribute to a country's sustainable development, influence corporate social responsibility, and help fulfil obligations to stakeholders (Pulungan & Khomsiyah, 2024). In line with legitimacy theory, the emphasis on transparency and accountability through the adoption of the Triple Bottom Line (TBL) principle — which encompasses economic, social, and environmental aspects — in sustainability reports is key for companies in Indonesia to maintain legitimacy in the eyes of the public (Rusmiani & Rahayu, 2024).

To comprehensively evaluate agricultural sustainability, the FAO has created the SAFA Framework. The FAO Council's 1989 definition of sustainable development highlights the importance of preserving nature and developing technologies that meet current and future human needs without harming the environment. Sustainable agriculture, which considers the needs of people, the environment, and farmers, plays a crucial role in achieving sustainable development goals (FAO, 1989). SAFA adopts a holistic approach to sustainability, embodied in four essential dimensions: good governance, environmental integrity, economic resilience, and social well-being. What is innovative about the SAFA framework is the recognition and integration of governance as a critical component of sustainability

(Zarbà et al., 2025). SAFA is an internationally recognised framework used to evaluate and improve sustainability throughout the food supply chain. It enables companies to assess the environmental, social, and economic impacts of their business practices and to identify opportunities for improvement (FAO, 1989). In SAFA, the assessed entity's contribution to meeting human needs is at the centre of the social sustainability dimension. Achieving social sustainability in agriculture requires strong systems and relationships to improve the well-being of farmers and their families, both for current and future generations, while maintaining environmental balance and the sustainability of rural communities (Brennan et al., 2023).

Previous literature shows varied results regarding the impact of sustainability disclosures on firm performance. A study by Mulyani et al. (2025) found that while economic performance disclosure individually had a significant positive effect on stock prices, social and environmental disclosures did not. However, when all three dimensions were considered together, they collectively had a significant impact. Similarly, Nugrahani & Artanto (2022) examined the effect on corporate profitability (ROA) and found that economic and environmental disclosures separately had a negative impact, while social disclosure was insignificant. Yet, consistent with the other study, the simultaneous reporting of all three dimensions resulted in a significant and positive influence on profitability.

Although numerous studies have examined the impact of sustainability reports on stock prices, studies specifically using the SAFA framework are very limited, particularly for companies in Indonesia. Quantitative year-to-year analyses of agricultural issuers on the Indonesia Stock Exchange (IDX) have been scarce. The purpose of this study is to examine and analyse the impact of social sustainability performance on the stock prices of agricultural companies listed on the IDX, as well as to expand the literature in sustainable finance and social accounting, particularly the relationship between sector-specific social performance and market valuation. Therefore, this research is crucial to determine the impact of sustainability report publication on the stock prices of manufacturing companies in Indonesia, as it can support responsible investment, which can positively impact investors and the company's environmental and social well-being.

METHOD

Employing an exploratory sequential mixed-methods framework, this study integrated both quantitative and qualitative data. Creswell & Plano Clark (2015) defined the exploratory sequential mixed methods design as a two-phase approach. The first phase involved gathering qualitative data to gain an in-depth understanding of a phenomenon. The insights from this initial stage then informed the second phase, which involved collecting quantitative data to explain or test the findings from the qualitative data. Fig. 1 shows how Exploratory Sequential Design works.

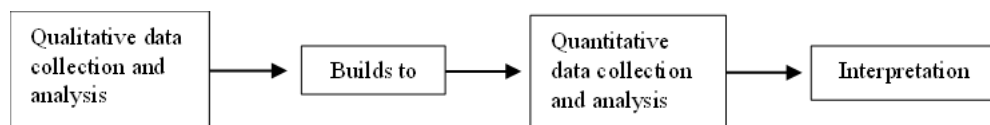


Fig. 1. Exploratory Sequential Design
Source: (Subedi, 2016)

The first stage was a qualitative analysis to collect and quantify data on the social dimension of sustainability. The second stage was a quantitative analysis to test the effect of social sustainability variables on stock prices using the Generalised Estimating Equations (GEE). GEE was chosen as the analytical model because of its ability to analyse panel (longitudinal) data where observations on the same subject (company) are correlated over time. GEE provides robust estimates even though the correlation structure in the data is not properly specified.

The proposed GEE regression model was as follows:

$$E(Y_{it}) = \beta_0 + \beta_1 X_{1,it} + \beta_2 X_{2,it} + \beta_3 X_{3,it} + \beta_4 X_{4,it} + \beta_5 X_{5,it} + \beta_6 X_{6,it} + \varepsilon_{it}$$

Where:

- $E(Y_{it})$ = Expected value of the stock price for company i at time t
 β_0 = Constant (intercept)
 β_{1-6} = Regression coefficient for each independent variable
 $X_{1,it} - X_{6,it}$ = Social sustainability variable score for company i at time t
 ε_{it} = Error (error term)

The empirical analysis in this study drew upon secondary panel data from a sample of 30 agricultural sector firms listed on the Indonesia Stock Exchange (IDX) from 2023-2024. The sample was derived using a purposive sampling methodology, with the inclusion criterion being the full disclosure of their annual or sustainability reports. This selection resulted in 60 units of analysis (30 companies over 2 years). Data collection was performed through a documentation study, where variables for social sustainability (X1-X6) were extracted from annual and/or sustainability reports downloaded from official company websites and the IDX. Concurrently, stock price data (Y) were gathered from historical records published by the IDX or other financial data providers.

Independent Variable (X): Social Dimension of the SAFA Framework

Data for the independent variables were collected through content analysis of company reports. Each disclosure item relevant to the SAFA indicator was scored. This study used a dichotomous scoring approach: a score of 1 if the company disclosed the item, and a score of 0 if it did not. The total score for each variable was the sum of the scores for its indicator items. Table 1 shows the Social Dimension Indicators of the SAFA Framework.

Table 1
Sustainability Assessment Indicators for Food and Agriculture Systems (SAFA)

Independent Variable	Theme	Indicator
X1	Decent Livelihood	- Right to Quality of Life
		- Wage Level
		- Capacity Development
		- Fair Access to Means of Production
X2	Fair Trading Practices	- Fair Pricing and Transparent Contracts
		- Supplier Rights
X3	Labor Rights	- Employment Relations
		- Forced Labor
		- Child Labor
		- Freedom of Association and Right to Bargaining
X4	Equity	- Non-Discrimination
		- Gender Equality
		- Support for Vulnerable People
X5	Human Safety and Health	- Safety and Health Training
		- Safety of Workplace, Operations, and Facilities
		- Health Coverage and Access to Medical Care
		- Public Health
X6	Cultural Diversity	- Indigenous Knowledge
		- Food Sovereignty

Source: FAO (2014b)

Dependent Variable (Y): Stock Price (Stock Value)

This study evaluated stock performance by examining the closing prices on the final day of the fiscal year, December 31, for 2023 and 2024. To quantify the movement, a binary coding system was

employed where a value of 1 was assigned if the stock price increased from the end of 2023 to the end of 2024, signifying positive performance. Conversely, a value of 0 was assigned if the stock price decreased over the same period, indicating a decline. This method effectively transformed the continuous price data into a dichotomous variable, allowing for a straightforward assessment of directional change rather than the magnitude of the fluctuation.

RESULTS AND DISCUSSION

Continuous Variable Information

Table 2
Continuous Variable Information

		N	Min.	Max.	Mean	Std. Deviation
Dependent Variable	Stock Value	60	0	1	.33	.475
Covariate	Decent Livelihood	60	0	1	.95	.220
	Fair Trading Practices	60	0	1	.63	.486
	Labor Rights	60	0	1	.90	.303
	Equity	60	0	1	.98	.129
	Human Safety & Health	60	0	1	.90	.303
	Cultural Diversity	60	0	1	.50	.504

Source: Data processed by SPSS, 2025

Based on Table 2, a descriptive statistical analysis of 60 samples, a general overview of the research variables can be identified. The dependent variable, Stock Value, has a mean value of 0.33. This figure indicates that the stock performance of the companies studied is generally at a relatively low level on a scale of 0 to 1. The range, spanning from a minimum of 0 to a maximum of 1, also shows high variability, where some companies have excellent stock performance while others perform very poorly.

On the side of the independent variables, a significant difference in focus is apparent. Four variables demonstrate very strong performance: Equity with a mean of 0.98, Decent Livelihood at 0.95, and both Labour Rights and Human Safety & Health at 0.90. In contrast, Fair Trading Practices is at a moderate level (0.63), and Cultural Diversity shows the lowest mean score (0.50). This implies that while the sampled companies excel in aspects of human rights and welfare, cultural diversity remains an area that requires further attention and development.

Tests of Model Effect

Table 3
Tests of Model Effects

Source	Type III		
	Wald Chi-Square	df	Sig.
(Intercept)	.285	1	.594
Decent Livelihood	2.806	1	.094
Fair Trading Practices	3.437	1	.064
Labor Rights	.044	1	.834
Equity	19.455	1	< .001
Human Safety & Health	4.647	1	.031
Cultural Diversity	.533	1	.465

Source: Data processed by SPSS, 2025

The results of the Tests of Model Effects, presented in Table 3, allow for an analysis of the influence of each independent variable on the dependent variable, Stock Value. Using a significance level (α) of 5% or .05, it was found that not all variables have a statistically significant influence.

The Equity variable demonstrates the strongest and most significant influence on Stock Value. This is evidenced by the highest Wald Chi-Square value (19.455) and a significance level (p-value) of $< .001$, which is well below the $\alpha = .05$ threshold. Additionally, the Human Safety & Health variable was also found to have a significant influence, with a significance value of .031, which is also less than .05. These findings indicate that improvements in equity and human safety & health practices have a tangible statistical association with changes in Stock Value within this model.

On the other hand, the four other variables were found to be not statistically significant. The variables Fair Trading Practices ($p = .064$) and Decent Livelihood ($p = .094$) show a marginal or borderline significant effect, but their p-values remain above the .05 threshold. Meanwhile, Labour Rights ($p = .834$) and Cultural Diversity ($p = .465$) have very high significance values, indicating that there is insufficient statistical evidence to conclude that these two variables influence Stock Value in the studied sample.

Parameter Estimates

Table 4
Parameter Estimates

Parameter Estimates										
Parameter	B	Std. Error	95% Wald Confidence Interval		Hypothesis Test			Exp(B)	95% Wald Confidence Interval	
			Lower	Upper	Wald Chi-Square	df	Sig.		Lower	Upper
(Intercept)	-.167	.3122	-.778	.445	.847	1	.594	.847	.459	1.561
Decent Livelihood	-.318	.1899	-.690	.054	.727	1	.094	.727	.501	1.056
Fair Trading Practices	.201	.1086	-.012	.414	1.223	1	.064	1.223	.989	1.513
Labour Rights	.034	.1607	-.281	.349	1.034	1	.834	1.034	.755	1.417
Equity Human	.469	.1062	.260	.677	1.598	1	<.001	1.598	1.297	1.968
Safety & Health	.258	.1197	.023	.493	1.294	1	.031	1.294	1.024	1.637
Cultural Diversity (Scale)	1	.1333	-.359	.164	.907	1	.465	.907	.699	1.178

Source: Data processed by SPSS, 2025

Most Influential Variables: Based on Table 4, the analysis of all variables tested found that only Equity and Human Safety & Health have a positive and statistically significant influence on Stock Value. This indicates that an increase in these two factors tends to be followed by a rise in the company's stock value, whereas the other variables included in the study did not demonstrate a strong relationship.

Impact of Equity: Among all the variables tested, Equity stands out as the most dominant factor influencing Stock Value. Specifically, each one-unit increase in the Equity score raises the odds of a higher Stock Value by 59.8%. This finding, based on an Exp(B) value of 1.598, is highly statistically significant (Sig. $< .001$), confirming that its influence is very strong and not due to random chance.

Impact of Human Safety & Health: This variable also has a significant positive impact. Each one-unit increase in the Human Safety & Health score increases the odds of a higher Stock Value by 29.4% (based on the $\text{Exp}(B)$ value of 1.294). Its significance level is .031, indicating a statistically reliable influence.

Non-Significant Variables: The other four variables—Decent Livelihood, Fair Trading Practices, Labour Rights, and Cultural Diversity—were found to have no statistically significant influence on Stock Value. Although some show positive or negative trends, their significance values (Sig.) are all above 0.05. Furthermore, their 95% Wald Confidence Intervals cross the value of zero (for B) or one (for $\text{Exp}(B)$). This means there is not enough statistical evidence to conclude that these variables are reliable drivers of Stock Value in this model.

Social Sustainability as a Strategic Investment: Identifying Social Practices Valued by Agricultural Investors

This research discussion aims to interpret statistical findings and analyse in depth the impact of social sustainability performance on the stock prices of agricultural companies listed on the Indonesia Stock Exchange (IDX) during the period 2023-2024. In general, the findings indicate that agricultural companies in Indonesia have begun to adopt sustainability indicators from the SAFA (Sustainability Assessment of Food and Agriculture) framework, although the level of implementation varies. Descriptive analysis shows a high level of disclosure on themes related to regulatory obligations and basic social norms, such as Equity with the highest average score of 0.98, followed by Decent Livelihood (0.95), as well as Labour Rights and Human Safety & Health (both 0.90). The high level of reporting in these areas can be interpreted through Legitimacy Theory, where companies disclose such information to maintain a positive image and legitimacy in the eyes of the public and other stakeholders.

However, this study also highlights areas that still require serious attention. Themes such as Fair Trading Practices and especially Cultural Diversity show much lower levels of disclosure, with average scores of only 0.63 and 0.50, respectively. The low score on Cultural Diversity, which includes aspects of indigenous knowledge and food sovereignty, indicates that this issue is likely still considered secondary or more difficult for companies to measure and report on. Weaknesses in reporting, particularly in the areas of supplier rights protection and labour relations, indicate gaps in achieving more comprehensive sustainability and underscore the importance of ongoing evaluation.

The main results of the regression analysis using Generalised Estimating Equations (GEE) provide empirical evidence that investors in the Indonesian capital market do not view all social aspects equally. Specifically, the variables Equity and Human Safety & Health were found to have a positive and statistically significant effect on stock value. The Equity variable showed the strongest effect with a significance value (p -value) $< .001$, where each one-unit increase in the Equity score was associated with a 0.469-unit increase in stock value. Similarly, the Human Safety & Health variable has a significant impact with a p -value of 0.031, where a one-unit increase in its score is associated with a 0.258-unit increase in stock value. On the other hand, the variables Decent Livelihood, Fair Trading Practices, Labour Rights, and Cultural Diversity were not found to have a statistically significant impact.

The concept of equality within companies has proven to be a factor increasingly valued by investors. Companies that demonstrate a strong commitment to equality are often perceived as having better risk management and a stronger corporate culture, which can enhance long-term value. Consistent with research by Hunt et al. (2020), a significant positive correlation has been observed between executive team diversity and financial outperformance. Specifically, companies ranking in the top quartile for gender and ethnic diversity are statistically more likely to achieve profitability above their national industry average. The investment community often attributes this to the view that diverse leadership fosters greater innovation, enhances strategic decision-making, and provides a more comprehensive understanding of the market.

A significant body of research confirms that robust performance in Environmental, Social, and Governance (ESG) criteria is positively correlated with financial success, including stock prices. Within this framework, the "Human Safety & Health" category is a vital component of the 'Social' pillar. The connection between ESG criteria and financial success is robustly supported by a large-scale meta-analysis from Friede et al. (2015); their review of over 2,000 empirical papers concluded that approximately 90% of studies showed a non-negative correlation between ESG factors and corporate financial performance. This extensive evidence reinforces the argument that strong social metrics—especially a commitment to employee welfare—serve as reliable indicators of sound management and operational excellence, thereby signalling to the market a less risky and more valuable investment.

This finding makes an important contribution to the literature on sustainable finance, particularly because it offers a more in-depth perspective than previous studies, which have produced mixed results. The study by Mulyani et al. (2025) found that social performance had no significant effect on stock prices. By using a more structured SAFA framework, this study successfully identified which social dimensions are truly valued by the market, thereby filling a gap in the literature that had previously not conducted much quantitative analysis over the years on agricultural issuers in Indonesia. This indicates that investors do not view “social performance” as a single concept but are able to identify and assign value to specific practices proven to be relevant.

Based on these findings, the strategic implications are highly significant for various stakeholders. For companies, failing to comprehensively adopt SAFA indicators, especially in areas proven to be weak, could pose serious long-term risks. In the era of global transparency, a company's reputation is at stake, where failure to meet sustainability standards can lead to a decline in image, loss of consumer trust, difficulties competing in the global market, and even the risk of boycotts and challenges in securing investments. Therefore, the adoption of SAFA should be viewed as a strategic investment for business sustainability, not merely a compliance burden. A collaborative strategy is needed: companies must proactively integrate sustainability principles into their entire operational chain; governments must create clear regulations and enforce them rigorously; while consumers and society can contribute by choosing products from companies that demonstrate a genuine commitment. Synergy among all parties is key to driving the industry toward higher sustainability standards for better and more sustainable social well-being.

In general, agricultural companies in Indonesia listed on the Indonesia Stock Exchange (IDX) in 2023 and 2024 have begun adopting the FAO SAFA (Sustainability Assessment of Food and Agriculture) sustainability indicators, but there are variations in implementation across different SAFA themes. Overall, the findings indicate that the level of social welfare is quite positive, with the majority of indicators reflecting a commitment to sustainable business practices. However, areas such as supplier rights protection and labour relations still require serious attention to achieve more comprehensive sustainability. These findings underscore the importance of continuous evaluation and improvement in efforts to achieve optimal social welfare. Collaboration among various parties is essential to achieve the desired results. Commitment from all stakeholders, including the government, companies, and the community, is key to success in creating sustainable social welfare.

Companies that have not fully adopted SAFA indicators, particularly in supplier rights protection and labour relations improvement, need to be aware of the long-term implications that may arise. In this increasingly transparent and interconnected global era, a company's reputation is at stake. Consumers are becoming more informed and concerned about social and environmental issues. Failing to meet standards could result in a decline in the company's public image, loss of customer trust, and difficulties in competing in an increasingly competitive global market. Furthermore, risks such as consumer boycotts and difficulties in securing investment can also result from irresponsible business practices. Therefore, companies should view the use of SAFA indicators not merely as an investment or external requirement, but as a long-term investment in their business.

Therefore, a forward-looking strategy involving all stakeholders is needed. Companies need to be proactive in adopting and implementing SAFA indicators comprehensively, not only as companies, but as an integral part of their business strategy. This means that companies need to integrate the principles of extinction into every aspect of their operations, from raw material procurement to product marketing. The government, as a regulator, also has an important role in creating an environment conducive to sustainable business practices through clear regulations and strict law enforcement. These regulations must include clear standards regarding supplier rights, labour relations, and environmental protection, as well as effective oversight mechanisms to ensure compliance by companies. Additionally, consumers can contribute by becoming informed consumers and choosing products from companies committed to poverty alleviation. Through collaboration among various stakeholders, we can ensure that all companies actively participate in achieving higher standards, for the sake of greater social well-being. This is not only the responsibility of companies but also our collective responsibility as part of the global community.

CONCLUSIONS

The conclusion of this study showed that investors in the Indonesian capital market had clear preferences and do not view all aspects of social sustainability equally. Analysis using the Generalised Estimating Equations (GEE) model empirically proved that of the six social dimensions tested, only two had a positive and statistically significant influence on agricultural company stock prices. The Equity variable showed the strongest and most significant influence ($p < .001$), where each one-unit increase in its disclosure score was associated with a 0.469-unit increase in stock value. Similarly, the Human Safety & Health variable also had a significant positive influence ($p = 0.031$), with a one-unit increase in its score potentially increasing stock value by 0.258 units. In contrast, the other four dimensions—Decent Livelihood, Fair Trading Practices, Labour Rights, and Cultural Diversity—were not found to have a statistically significant influence on stock prices.

This study highlights the existence of unequal reporting patterns among companies. Themes related to regulatory obligations and basic social norms such as Equality (average score of 0.98), Workers' Rights (0.90), and Human Health & Safety (0.90) show very high levels of disclosure. This high level of reporting can be explained by Legitimacy Theory, where companies strive to maintain a positive image among stakeholders. However, more complex areas such as Fair Trade Practices (0.63) and especially Cultural Diversity (0.50) show significantly lower levels of disclosure, suggesting that these issues may still be considered secondary or more difficult for companies to report on. By unravelling which specific social dimensions are valued by the market, this study successfully fills a gap in the literature that previously showed mixed results—with some studies finding no significant impact while others found a negative impact. These findings have strategic implications: companies can no longer view social performance as a single concept, but must instead focus on specific practices that are proven relevant to investors to maintain business sustainability and market confidence.

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