



## Modern Slavery Disclosure in Indonesia Corporate Supply Chains: An Analytical Study

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### Abstract: Modern Slavery Disclosure in Indonesia Corporate Supply Chains

**Purpose:** Analyze the disclosure of modern slavery risk problems in global supply chains, where regulations are still developing.

**Method:** Qualitative content analysis conducted on sustainability reports of LQ-45 companies.

**Results:** Narrative-based reporting with little quantitative data limits accountability for addressing modern slavery risks.

**Novelty:** This research explores modern slavery disclosures in the context of voluntary reporting.

**Contribution:** Provides empirical evidence of disclosure gaps and calls for regulatory intervention.

### Kata kunci:

Pengungkapan Perbudakan Modern;  
Rantai Pasokan; Laporan Keberlanjutan.

### Abstrak: Pengungkapan Perbudakan Modern di Rantai Pasokan Korporasi Indonesia

**Tujuan:** Menganalisis pengungkapan risiko perbudakan modern dalam rantai pasokan global, di mana regulasi pengungkapan masih berkembang.

**Metode:** Analisis konten kualitatif laporan keberlanjutan perusahaan LQ-45.

**Hasil:** Pelaporan berbasis narasi dengan sedikit data kuantitatif membatasi akuntabilitas untuk menangani risiko perbudakan modern.

**Kebaruan:** Penelitian ini mengeksplorasi pengungkapan perbudakan modern dalam konteks pelaporan sukarela.

**Kontribusi:** Memberikan bukti empiris kesenjangan pengungkapan dan menyerukan intervensi regulasi



## 1. Introduction

Due to the demand from customers for low-cost items, many businesses have shifted to producing in developing countries where labor costs are lower, allowing them to maintain high profit margins. From the company's point of view, these phenomena could appear positive, but in reality, it has disadvantages which violates the human rights. Human rights is a huge concern for many organizations today, due to increasing public pressure and stakeholder expectations. The exploitation and violation of human rights that many of these businesses engage in is referred to as "modern slavery" [1]

Modern slavery is a set of practices, including traditional slavery, forced labor, human trafficking, and human rights violations in the business practices[2]. The data reported by Global Slavery Index showed that the number of people trapped in slavery these last years is the largest in the history of human civilization . It is estimated that there are around 40.3 million people worldwide trapped in modern slavery consisting of: 10 million children; 24.9 million people in forced labor; 15.4 million people in forced marriage; and 4.8 million people experiencing sexual exploitation. In Indonesia, according to the Global Slavery Index, an estimated 1.22 million are subjected to conditions of modern slavery, particularly in industries with extensive supply chains such as manufacturing, mining, and agriculture.

The need of modern slavery disclosure has become increasingly relevant in recent years as a result of growing public awareness of the issue and the introduction of legislation requiring businesses to take action globally. Modern slavery disclosure is a term that refers to the practice of companies publicly disclosing the steps they are taking to identify and combat modern slavery in their business. This can include details about laws, protections, training programs, and other

steps taken to reduce the harm of modern slavery [3].

Consumers, investors and other stakeholders are increasingly putting pressure on businesses to combat modern slavery and be transparent about their efforts, in addition to their legal responsibilities [4]. By disclosing information, companies can comply with regulations, increase transparency, manage their reputation and perhaps even improve their financial performance [5].

The supply chains of large companies have become a major focus of modern slavery reporting regulations in several countries. This is because large companies are more likely to be exposed to modern slavery due to their larger supply chains, power and wealth [6].

While developed economies such as Australia and the UK have implemented strict regulations mandating corporate disclosures on modern slavery, Indonesia lacks a similar legal framework. Despite growing international pressure for transparency, Indonesian companies are not legally required to report modern slavery risks and still voluntary, leading to inconsistent and often superficial disclosures. Regarding the corporate governance disclosure items that the Financial Service Authority (OJK) recommends listed firms provide, non-compliant corporations are not subject to any penalties or sanctions[7].

This study aims to address this gap by analyzing modern slavery disclosures in the sustainability reports of LQ-45 companies. Unlike previous research, which has largely focused on Western economies, this study provides an evaluation of disclosure practices in an emerging market with voluntary reporting standards. By assessing the quality and completeness of disclosures, this study contributes to the ongoing debate on the effectiveness of voluntary versus mandatory reporting frameworks[8].

Previous research has investigated Australian listed companies' disclosures for modern slavery and found that the volume and also quality of disclosure are low and made narrative. Sarumpaet and Fauzi examined the 2018 annual reports of Indonesian listed companies to see if any information was available about forced labor, human trafficking, or other human rights concerns that have emerged as the main concerns in modern slavery. The results demonstrated that major disclosure corporations in sensitive industries reveal more information about anti-slavery initiatives or operations. The results of this study also show that, in line with theories around voluntary disclosures and a few empirical findings, firms typically provide mainly positive and narrative material under voluntary disclosure regimes, which results in low levels of both quantity and quality of disclosure[9].

However this research focuses on the manufacturing company listed in LQ-45 on 2022 which was not investigated before. The companies that are evaluated are limited to those involved in manufacturing, because manufacturing companies have long supply chains and are prone to human rights violations in these supply chains. [10] stated that the most vulnerable industry sectors are manufacturing and lodging.

Therefore, this study conducted a content analysis of reports issued by companies listed on the LQ-45 Indonesia Stock Exchange. Indonesia does not have regulations that require companies to make special reports that disclose modern slavery, so the reports that will be analyzed in this study are the company's sustainability reports.

The topic of research related to modern slavery is still relatively new and is still rarely carried out in Indonesia, especially in the field of accounting. Therefore, to increase the discourse of knowledge about modern slavery practices, this study aims to find out

how companies in Indonesia disclose modern slavery in their sustainability reports. Based on the description above, the formulation of the problem in this study is as follows: How does LQ-45 companies in Indonesia disclose modern slavery in their CSR reports?

This study gives contribution to the literature by providing evidence of how businesses in Indonesia voluntarily disclose information on modern slavery. The implication of this study is providing the government with information about the disclosure of modern slavery in Indonesia, so they may be able to adopt strategies and policies regarding modern slavery disclosure. Second, the level of both quantity and quality of modern slavery disclosure points to a lack of transparency on the part of enterprises when it comes to disclosing risks and taking steps to combat modern slavery within their own companies or in their supply networks. This conclusion may be used by governments in similar situations to support the adoption of obligatory reporting requirements aimed at enhancing accountability and transparency. This study also supports the need for mandatory disclosures of modern slavery to be established globally.

## 2. Method

This research uses a qualitative content analysis of sustainability reports published by LQ-45 companies listed on the Indonesia Stock Exchange in 2022. These reports were analyzed because they were the most recent publicly available reports at the time of research in 2024. The 2023 reports had not yet been published, making the 2022 reports the latest accessible data for analysis. Using 2022 reports ensures consistency and comparability across all sampled companies, as they were reporting on the same period. The selection of LQ-45 companies was based on their prominence in the market, as these firms represent Indonesia's largest and most liquid stocks, making them influential in

setting corporate governance and sustainability trends

The study focuses on manufacturing firms, as prior research has identified this sector as particularly vulnerable to modern slavery due to its complex supply chains, reliance on subcontractors, and exposure to global trade pressures. Data were obtained from company websites, the Indonesian Capital Market Directory (ICMD), and publicly available reports on the Indonesia Stock Exchange (IDX). The analysis follows a structured assessment framework adapted covering five key themes: human rights in supply chains, worker health and safety, supplier assessment, supplier codes of conduct, and general modern slavery disclosures.

This study relies on secondary data sources, a method increasingly used in research on supply chain management and modern slavery[11]. Data sources were obtained from company websites, ICMD, and www.idx.co.id. Data collection was carried out by searching and recording secondary data obtained through the Indonesian Capital Market Directory (ICMD), the official LQ-45 website publication, each company's website, either via the internet or by studying the notes or documents published by the company in the form of annual reports and sustainability reports.

This research has stages, namely: **First**, data collection from company reports listed on LQ-45. The data is ensured to meet the purposive sampling criteria. **Second**, using the modern slavery disclosure assessment instrument. adopting the instrument used. **Third**, the score contains 5 categories of human rights data, by added up to form the total score to be used. The score components are adjusted to the theme and subtheme of the measurement/assessment of the level of modern slavery disclosure conducted regarding the company's modern slavery disclosure practices. The grouping and

adjustment of the selection of scores in this study are presented in Table 1. **Fourth**, conduct qualitative and quantitative analysis namely company makes disclosures, disclosure points, and completeness of explanation in disclosure regarding modern slavery. **Fifth**, Drawing conclusions regarding the quality of modern slavery disclosure by LQ- 45 companies.

TABLE 1. MODERN SLAVERY DISCLOSURE RESEARCH INSTRUM

No	Main themes	Weight	Sub Themes	Examples
1	Human rights in the supply chain	1	Child labour	Employment of minor
		1	Forced labour	Compulsory labour,hold against will
		1	Human trafficking	Illegal employment
		1	Minimum wage	Living wage, fairpay
		1	Human rights	Compliance with human rights,human rights training to employees/contractors, freedom of association, labour rights, human rights impacts
2	Health and Safety in the supply chain	1	Safety	Safe working conditions, treatment of employees/contractors, labour conditions, employee safety training, fair working hours
		1	Abuse and violance	Physical/verbal harassment, sexual exploitation or abuse, violence/ threatening behaviour
3	Supplier assessment	1	Screening	Supplier audits, site visits, supplier screening, supplier survey/ questionnaire, supplier monitoring, KPIs
		1	Risk assessment	Supplier risk assessment, identifying high risk suppliers/highrisk countries, employee training on risk assessment
4	Supplier code of conduct	1	Diversity	Supplier maintaining diversity, inclusion, non-discrimination policy, equal opportunity, respect/dignity
		1	Whistle blowing	Raising concerns, complaints, grievances
		1	Bribery and corruption	Anti-bribery, bribery, corruption, gifts, facilitation payments
		1	Code of conduct	Supplier code of conduct, compliance statement related to MS, ethical source training, procurement training, supplier training
5	Modern slavery (MS)– general	1	General/ot hers	Any general statement related to MS suchas MS act, submissions, Australian initiative, business environment, supplier/contractor/ sub-contractor numbers, residual themes
Total		14		

### 3. Results and Discussion

Forty-five companies included in LQ-45 comprise the population of the company under study. Based on the average index of the biggest and most liquid market capitalization on the Indonesian stock exchange, 45 businesses were chosen to be part of the LQ-45 companies. Businesses or new issuers in this LQ-45 index have promising futures. This indicates that the company is large and operates well. Examine and analyze the disclosures provided by LQ-45 firms.

The samples analyzed in this research amounted to 26 companies engaged in the fields of natural gas processing, mining, pulp and paper production, cement factories, food and beverage factories, oil and gas production, gold production, cement businesses and other industries. The report studied is a sustainability report using keywords including suppliers, supply chain, child labor, forced labor, worker health and safety, supplier audits, code of ethics, and minimum wages.

The criteria set for conducting the analysis are first, disclosing human rights in the supply chain consisting of disclosures regarding child labor, forced labor, human trafficking, minimum wages, and human rights. Second, related to worker health and safety in the supply chain consisting of worker safety, and violence against workers. Third, related to supplier assessments such as supplier screening and risk assessments. Fourth, regarding supplier codes of ethics, namely diversity, whistleblowing, bribery and corruption, and codes of ethics. Fifth, general disclosures regarding modern slavery.

All businesses provide extensive information about how their individual businesses fulfill their social responsibility;

yet, most companies only provide minimal formation about the conditions of the ppliers in their supply chains. Based on the analysis results, there are 5 companies that do not disclose anything at all regarding their suppliers and supply chains. Meanwhile, 21 companies disclose with varying quality and quantity.

TABLE 2. COMPANIES THAT DISCLOSED MODERN SLAVERY AND THOSE THAT DIDN'T

Item	Number of Companies
Companies that did not disclose about modern slavery in supply chains	5
Companies that disclose about modern slavery in supply chains	21
<b>Total companies</b>	<b>26</b>

Based on the disclosure criteria, companies should disclose 14 disclosure points, but no company has disclosed these points completely. The companies that made the most disclosures related to modern slavery were PT. Merdeka Battery Materials which made 9 disclosure points, PT. Indo Tambangraya Megah Tbk with 8 disclosure points, and PT. Unilever Indonesia with 8 disclosure points.

TABLE 1. MODERN SLAVERY ITEM DISCLOSURE

No	Main Themes	Number of Company that disclosed the theme
1.	Human rights in the supply chain	16
2.	Health and Safety in the supply chain	12
3.	Supplier assessment	19
4.	Supplier code of conduct	15

Based on the main themes disclosed by the companies, the most disclosure criteria submitted by companies is the supplier assessments in the supply chain. Supplier assessment consists of supplier audits, site visits, supplier screening, supplier survey/questionnaire, supplier monitoring, and KPIs. While risk assessment consists of Supplier risk assessment, identifying high risk

suppliers/high risk countries, employee training on risk assessment

Two companies provide both qualitative and quantitative disclosures supported by numerical data: PT Indofood CBP Sukses Makmur Tbk and PT Semen Indonesia (Persero) Tbk. PT Indofood CBP Sukses Makmur Tbk states:

*"Our Company Regulations prohibit all forms of child labor, including the employment of individuals under 18 years of age. Our working hours policy is 40 hours per week, formalized in Company Regulations and aligned with Indonesian labor laws. These prohibitions extend to our supply chain and are incorporated into our Supplier Guidelines."*

Similarly, PT Semen Indonesia (Persero) Tbk discloses:

*"SIG is committed to complying with all employment regulations, including the minimum age requirement of 18 years. This policy extends to our suppliers, and in the reporting year, no child laborers were identified within the company or its supply chain."*

Both companies explicitly state that they do not employ individuals under 18 years of age, extending this requirement to their supply chains. This suggests compliance with child labor regulations, a key criterion in addressing modern slavery.

However, the overall quantity and quality of modern slavery disclosures remain low. As shown in Table 2, five companies have yet to report on modern slavery within their supply chains. Additionally, the quality of reporting is limited, as key themes related to modern slavery are not comprehensively disclosed, and most information is presented narratively without supporting numerical data.

While some firms have acknowledged human rights issues in their supply chains, most disclosures lack detailed risk assessments, quantifiable data, and independent verification mechanisms. This aligns with previous studies, which suggest

that in a voluntary disclosure regime, businesses typically give only positive and narrative information; as a result, it is low in number and quality. This study further reveals a more pronounced gap in Indonesian supply chains.

Compared to jurisdictions with mandatory reporting laws, such as Australia's Modern Slavery Act, the voluntary nature of disclosure in Indonesia results in inconsistent practices and minimal accountability. The absence of regulatory enforcement means that companies are not required to conduct due diligence on their supply chains or disclose the steps taken to mitigate modern slavery risks. This study underscores the need for stronger regulatory intervention to ensure that disclosures are both meaningful and actionable.

The findings align with the principles of stakeholder theory, which posits that a company's approach to corporate social disclosure is designed to satisfy the demands of both specific stakeholder groups (managerial branch) and stakeholders at large [12]. According to Smith et al. when stakeholders place a high value on social and environmental issues, businesses will likewise often enhance their corporate social disclosure. Though it has received a lot of attention globally, Indonesia has not given the subject of modern slavery as much attention. One indication of this is the lack of regulations in Indonesia related to the disclosure of modern slavery in the supply chain [13].

Increasing stakeholders' understanding of modern slavery in Indonesia is essential to getting their attention on this problem. The government also needs to play a significant role in formulating policies and strategies to fight against modern slavery in Indonesia. One of the strategies could be obligating the companies in Indonesia to report about their avoidance of modern slavery in their supply chain.

#### 4. Conclusion



The study's findings reveal that Indonesian sustainability reports still do not widely disclose modern slavery in the company's supply chain. The level of both quantity and quality of modern slavery disclosure points to a lack of transparency on the part of enterprises when it comes to disclosing risks and taking steps to combat modern slavery within their own companies or in their supply networks. This conclusion may be used by governments in similar situations to support the adoption of obligatory reporting requirements aimed at enhancing accountability and transparency. This study also supports the need for mandatory disclosures of modern slavery to be established globally.

This study provides critical insights into modern slavery disclosures in Indonesian supply chains, highlighting significant gaps in corporate transparency and accountability. The findings suggest that without mandatory disclosure regulations, companies will likely continue to engage in superficial reporting, limiting the effectiveness of voluntary disclosure frameworks.

The key contributions of this study include: Empirical Evidence from an Emerging Market (unlike previous studies that focused on Western economies). This study examines modern slavery disclosure in Indonesia, Reporting Quality Assessment By analyzing sustainability reports, this study identifies key weaknesses in current disclosure practices (which emphasizes the need for more standardized and enforceable reporting guidelines), and finally. Policy Implications that support calls for regulatory reform in Indonesia, advocating mandatory disclosure requirements similar to those in Australia and the UK.

Future research should expand the scope beyond LQ-45 companies to include smaller enterprises and other high-risk industries, such as plantations and fisheries,

which are known to have severe labor exploitation issues. Additionally, comparative studies between countries with and without modern slavery disclosure laws could further inform policymakers on the effectiveness of different regulatory approaches.

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