


ANALYSIS OF THE ROLE OF SUSTAINABILITY ACCOUNTING IN IMPROVING THE ENVIRONMENTAL AND SOCIAL PERFORMANCE OF MANUFACTURING COMPANIES IN INDONESIA.

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<p>Receive: 10/07/2025</p> <p>Revised 15/07/2025</p> <p>Accepted: 25/07/2025</p> <p>Publish: 30/07/2025</p> <p>Correspondence*</p>  <p>This work is licensed under the Creative Commons Attribution 4.0 International License.</p>	<p>Abstract - This study aims to analyze the role of sustainability accounting in improving the environmental and social performance of manufacturing companies in Indonesia. With the growing global awareness of sustainability issues, companies are expected not only to pursue financial profit but also to consider the impact of business activities on the environment and society. Through a qualitative approach involving literature reviews and case studies, this research finds that proper implementation of sustainability accounting can positively impact transparency, accountability, and corporate decision-making in managing environmental and social issues. The results also indicate that companies that consistently apply sustainability accounting show improvements in reputation, operational efficiency, and regulatory compliance.</p> <p>Keywords : Sustainability accounting, environmental performance, social performance, manufacturing companies, Indonesia</p>
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INTRODUCTION

In recent decades, attention to sustainability issues has increased significantly, both at the global and national levels. Climate change, environmental degradation, social inequality, and pressure from stakeholders have prompted companies to adopt a more responsible approach in conducting their business activities. Companies are no longer only required to achieve financial gains, but also have to pay attention to the environmental and social impact of their operations. The manufacturing sector in Indonesia is one of the sectors that has a major contribution to national economic growth. However, the sector is also known to be a major contributor to carbon emissions, industrial waste, and overuse of natural resources. Therefore, a transformation in the way manufacturing companies conduct their business is becoming very important. One strategic approach that can be used is sustainability accounting. Sustainability accounting allows companies to integrate environmental and social aspects into their financial and management reporting systems. Thus, companies not only record and report financial data, but also demonstrate their commitment to long-term sustainability. This study aims to analyze the extent to which sustainability accounting can improve the environmental and social performance of manufacturing companies in Indonesia.

LITERATURE REVIEW

Sustainability accounting, also known as sustainability accounting, is an accounting approach that includes reporting company performance in three main dimensions: economic, environmental, and social. This concept arises from the need to measure and report on a company's non-financial impact as part of corporate responsibility. According to Gray et al. (2014), sustainability accounting aims to provide relevant information to stakeholders, including investors, governments, NGOs, and the general public. Environmental performance refers to the extent to which a company successfully manages the ecological impact of its business activities. These include reducing greenhouse gas emissions, waste management, energy efficiency, water conservation, and biodiversity protection. Companies that have a structured environmental reporting system are able to identify areas of risk and opportunities for sustainable improvement.

Social performance reflects a company's responsibility to internal and external stakeholders, such as employees, local communities, and society at large. These aspects include decent working conditions, non-discrimination, community involvement, training and human resource development, and participation in social activities. Good social performance contributes to the sustainability of the company through increased employee loyalty, public image, and long-term relationships with the community. Some of the sustainability reporting standards that are widely used include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC). These standards provide a framework for reporting ESG (Environmental, Social, and Governance) information in a systematic, measurable, and comparable manner.

RESEARCH METHODOLOGY

This study uses a qualitative approach with literature study methods and case studies. The qualitative approach was chosen because it is able to explore in depth complex and contextual phenomena related to the application of sustainability accounting. The main focus is on understanding the process, meaning, and implications of implementing sustainability practices in manufacturing companies. Data is collected through two main sources:

- a. Literature study of scientific journals, annual reports and company sustainability, as well as international regulatory and guideline documents (such as GRI Standards, SASB, and Law No. 40 of 2007).
- b. Case study on three major manufacturing companies in Indonesia that are active in sustainability reporting: PT Unilever Indonesia, PT Indofood Sukses Makmur, and one company that is not named for confidentiality reasons. The data analyzed includes sustainability reports from 2020 to 2023.

The data was analyzed in a qualitative descriptive manner. The analysis is carried out by identifying the main themes of the documents and reports studied, comparing environmental and social performance before and after the implementation of sustainability accounting, and drawing conclusions based on the patterns and trends found. The validity of the data is strengthened by source triangulation and peer review.

RESULTS AND DISCUSSION

Implementation of Sustainability Accounting in Manufacturing Companies

Several large manufacturing companies in Indonesia have started to implement sustainability accounting principles. For example, PT Unilever Indonesia and PT Indofood Sukses Makmur consistently publish annual sustainability reports that refer to GRI standards. The report includes not only financial data, but also data related to environmental management, employment practices, and social contributions. Unilever Indonesia, for example, reported on various initiatives such as reducing carbon emissions, utilizing renewable energy, and wastewater management. Meanwhile, Indofood emphasizes corporate social responsibility (CSR) programs that include improving the quality of life of the community around the factory and the development of MSMEs.

Impact on Environmental Performance

The application of sustainability accounting has been proven to have a real impact on improving the company's environmental performance. Through systematic reporting and monitoring, the company is able to identify operational areas that need improvement. For example, using data from sustainability reports, Unilever has managed to significantly reduce energy and water consumption through technological innovation and changes in production processes. Sustainability accounting also assists companies in complying with strict environmental regulations and minimizing legal and reputational risks. With measurable key performance indicators (KPIs) in environmental aspects, companies can develop more targeted strategies for natural resource management.

Impact on Social Performance

From a social perspective, sustainability accounting encourages transparency in human resource management and the company's relationship with the community. Information related to occupational safety, employee training, and participation in community development are an important part of the sustainability report. Companies that are active in social activities tend to have more harmonious relationships with the surrounding community, which in turn, it improves operational stability and customer loyalty. Furthermore, accurate social reporting also supports the fulfillment of Human Rights principles and supports the achievement of the Sustainable Development Goals (SDGs).

The Strategic Benefits of Sustainability Accounting

In addition to direct environmental and social benefits, the implementation of sustainability accounting also provides strategic added value for companies. A good reputation in the field of sustainability can increase investor confidence and attract business partners who have similar commitments. Companies are also better prepared to face pressure from the global market that increasingly demands transparency and environmental responsibility.

CONCLUSIONS AND SUGGESTIONS

CONCLUSION

This research confirms that sustainability accounting has a strategic role in encouraging the improvement of the environmental and social performance of manufacturing companies in Indonesia. The application of accounting practices that are not only oriented to financial statements, but also include environmental and social aspects, has been proven to be able to improve transparency, accountability, and the quality of managerial decision-making. Through the implementation of reporting standards such as GRI and SASB, companies can identify, measure, and report on their environmental impact and social contribution in a systematic and structured manner.

Findings from case studies of large manufacturing companies show that the implementation of sustainability accounting supports efficiency in the use of resources, strengthens relationships with local communities, and improves the company's image in the eyes of stakeholders. Furthermore, sustainability accounting also provides competitive added value for companies amid global market dynamics that increasingly emphasize ESG (Environmental, Social, and Governance) principles. Thus, sustainability accounting is not just a reporting tool, but a strategic framework in achieving sustainable development goals and long-term business sustainability.

SUGGESTION

1. For Manufacturing Companies

Companies are advised to proactively integrate sustainability accounting into their management and reporting systems. This includes human resource training, strengthening accounting information systems, and adopting international sustainability reporting standards to make the information delivered more credible and globally comparable.

2. For Governments and Regulators

The government needs to strengthen regulations that require sustainability reporting, especially for companies that have a significant impact on the environment and society. In addition, providing fiscal or non-fiscal incentives to companies that are consistent in implementing sustainability accounting practices can be a strategy to improve compliance.

3. For Academics and Researchers

More in-depth and quantitative follow-up research is needed to empirically measure the influence of sustainability accounting on company performance. In addition, comparative studies between industry sectors can also enrich understanding of the effectiveness of sustainability accounting in various business contexts. For Investors, consumers, and the general public

are expected to be more active in demanding transparency of sustainability information from companies, thereby creating a more responsible and value-oriented business ecosystem.

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