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Literature Study: The Role of Accountants in Reporting Environmental, Social, and Governance Information

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ABSTRACT
The purpose of this study is to get an overview of the role of accountants in terms of existing literature in relation to information related to Environmental Social Governance (ESG). In addition to the role of accountants, the role of the audit committee is also needed as an independent party in order to minimize the opportunities for accountants and management to commit fraud. Methods: The research method in this article is qualitative research with a literature review approach obtained from articles and journals from pre-existing research. Literature review is a form of literature research by reading various types of books, journals, and the like related to the topic of discussion in research to produce a scientific paper, such as research articles, dissertations, theses, and others. Results: Environmental, Social, and Governance (ESG) information disclosure practices are one of the good strategies to implement for companies, because disclosure of this information is needed to shape a company's image. In order to care and increase awareness of the social environment and surrounding governance. This makes Environmental, Social, and Governance (ESG) a tool for companies to gain legitimacy from the community and stakeholders, where it will cause a positive response in the community by giving confidence in the use of company products, and also trust when investing in the company.

INTRODUCTION

Environmental, social, and governance (ESG) is a set of standards designed to evaluate and govern the performance of environmental, social, and corporate governance of businesses. This is one way to evaluate the rigor or sense of responsibility of a company towards social welfare, environmental protection, and economic progress(Escrig-Olmedo, Fernández-Izquierdo, Ferrero-Ferrero, Rivera-Lirio, & Muñoz-Torres, 2019). Since its introduction by the United Nations (UN) in 2004, environmental, social, and governance (ESG) integration has been considered one of the newest and most widely adopted sustainability measures worldwide (Sacristán López de los Mozos, Rodríguez Duarte, & Rodríguez Ruiz, 2016).There has been an increase in interest in recent years in environmental, social and governance (ESG) information from various stakeholders such as companies, regulators, and investors(Gillan, Koch, & Starks, 2021). However, the reliability of disclosures related to ESG information is generally doubted due to the flexibility of companies in choosing what to report, the lack of transparency in ESG measurement and reporting approaches, and the lack of adoption and low quality of ESG assurance (Boiral & Heras-Saizarbitoria, 2020). This led to issues such as manipulation of a company's ESG performance and the emergence of ideas such as greenwashing, value washing, and blue

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washing, aimed at attracting funds and satisfying stakeholders. Greenwashing refers to the manipulation of sustainability reporting (Yu et al., 2020), value wash is related to mis-representation of value results(Syahril & Arfiyanto, 2017).and blue wash alludes to unethical behavior in using the United Nations Compact to gain legitimacy (Zammit, 2003).

American soda company Coca-Cola has been criticized for problems with the content in its products. According to the test results, there are four main components of Coca-Cola that were found to affect the health of consumers. The first ingredient is caffeine, which according to the International Agency for Research on Cancer (IARC) is a Group III carcinogen, which is a carcinogen that cannot yet be classified, and can cause caffeine dependence if consumed in the long term. Caffeine dependence includes addiction and various physical and psychological adverse reactions. The second harmful ingredient is carbon dioxide, which is the main ingredient that makes Coca-Cola so delicious to drink. Carbon dioxide can always inhibit the bacteria in the drink, but it can also inhibit the work of beneficial bacteria in the body, at the same time.

Drinking large amounts of Coca-Cola can easily cause bloating and even damage the digestive system. The third harmful ingredient is phosphoric acid, which is a moderate to strong acid that affects the body's acid-base balance and can affect bones and cause osteoporosis. The last problem concerns the excess sugar content. Coca-Cola gets all its sweetness from sugar, with 10.6 grams of sugar for every 100 ml of Coca-Cola, and 140 calories in a 350 ml bottle. Too much sugar in drinks is absorbed by the body to produce calories, and long-term consumption can lead to obesity and diabetes (Group et al., 2022).

Another case of Coca-Cola is water pollution. The Coca-Cola factory was one of the most developed agricultural regions in India until it was located in the region, but since then agricultural production has deteriorated year by year due to pollution and water abuse. Groundwater pollution is not the only problem, as high levels of cadmium, lead, and chromium contamination have been detected in sludge from the Coca-Cola plant site(Chua et al., 2020). Thanks to Coca-Cola's large global fan base, with revenues of US$33 billion in 2020 and sales of 1.6 billion bottles per day worldwide, it pollutes plastic bottles in large quantities. Plastic bottles have an impact because very much, whether found on beaches, rivers or other places such as parks, Coca-Cola plastic bottles are widely found(Stanton et al., 2022). Coca-Cola has become the world's largest plastic polluter while promoting its position as a sustainable and environmentally friendly company.

Coca-Cola uses about 200,000 plastic bottles every minute and produces more than 290 million tons of plastic annually, or nearly one-fifth of all PET bottle manufacturing worldwide and more than the world's next three largest polluters, Nestle, Pepsi, and Mondelēz. Break Free From Plastic reports that plastic produces 108 million tonnes of carbon emissions each year, with Coca-Cola emitting 14.9 million tonnes. There were 13,834 Coca-Cola plastic brands in 51 countries in 2020. The large number of Coca-Cola plastic bottles has a major impact on the global environment, both on land and in the ocean (Lin, 2022).

Based on the case of greenwashing carried out by the Coca Cola company, related to environmental, social and governance (ESG) information is an important concern for the accounting profession. Accountants play an important role in ensuring businesses and projects run more environmentally friendly and sustainable, following Environmental Social Governance (ESG) principles reflected in the company's financial reporting. The purpose of this study is to get an overview of the role of accountants in terms of existing literature in relation to information related to Environmental Social Governance (ESG). In addition to the role of accountants, the role of the audit committee is also needed as an independent party in order to minimize the opportunities for accountants and management to commit fraud.

METHODS

The research method in this article is qualitative research with a literature review approach obtained from articles and journals from pre-existing research. Literature review is a form of literature research by reading various types of books, journals, and the like related to the topic of discussion in research to produce a scientific paper, such as research articles, dissertations, theses, and others. Literature review is carried out with the awareness that knowledge will continue to increase along with the development of the era and technology (accumulate), that the topic of research discussion has been researched and carried out by researchers before.

The main purpose of the literature review approach is to introduce new studies on certain topics that are important for researchers in the field of research to know, and at any time this article can be published in the public interest, secondly for the benefit of own research. In this case, researchers use a literature review intended to enrich researchers' insights on the topic of discussion of the role of accountants in the disclosure of Environmental, Social And Governance (ESG) information by analyzing journals and related articles as guideline material and sources of research analysis so that the expected articles are compiled.

RESULTS

Accountants play an important role in ensuring businesses and projects run more environmentally friendly and sustainable, following Environmental Social Governance (ESG) principles reflected in the company's financial reporting. In its application, Environmental, Social and Governance (ESG) needs to pay attention to several aspects, including environmental aspects contained in ESG to examine topics of discussion including the use of energy resources in a company, for example, pollution problems, waste problems, the use of natural resources, and the impact on flora and fauna on the surrounding environment. By incorporating environmental aspects into the company's risk management design, it is expected that accountants can assess the risks that will be caused from environmental aspects in the company will minimize the level of risk that will arise from the environment so as to minimize the costs incurred. The existence of a management accountant can make it easier to minimize the occurrence of losses to a business in the company. Management accountants also play an important role for internal parties in making or making strategic decisions, analyzing problems that will occur, and so on.

In this environmental aspect, participation is needed to evaluate the company's operations, how the impact of a company's operations. The implementation of ESG in the company must be based on its commitment and application to company policies. As a company that has implemented risk management on environmental aspects, the company has the opportunity to be able to review its corporate design and policies on environmental problems that occur. The results of the application of environmental aspects to the company for example, good waste management, more efficient natural resource management, efficient and renewable energy use, and sustainable disposal by taking into account the surrounding environment. The role of environmental friendly accountants can be performed by management accountants in various organizations and various positions within those organizations. Three of the many roles that can be performed are related to improving the quality of environmental and social information of the company First, develop policies related to sustainability issues. Furthermore, implement, monitor and manage the risks associated with the implementation of the policy. Second, voluntarily identify environmental and social aspects that are appropriate to existing management information systems. Third, maintain and expand knowledge of laws and regulations, taxes and subsidies that can be applied by the business world, including provisions related to the obligation to provide relevant environmental and social corporate information. Thus, this commitment will have a positive impact on the implementing company and the surrounding environment. The creation of good environmental conditions will have an impact on the long-term sustainability of the company's business operations. This means, through risk management by paying attention to good environmental aspects, the company's financial performance will be more optimal(Nofianti, 2012).

Another aspect that needs to be considered is the social aspect in ESG which is a form of company attention to external relationships. Among others, including the government, communities, buyers, suppliers and other interested parties, who have direct or indirect external relationships with the company. The role of accountants is needed in creating company value in the eyes of the public, where social aspects of ESG will have an impact on company performance. Companies are required to be able to adapt to social problems that arise, when companies are able to adapt when faced with social problems, this will have an impact on assessing the image of a company. So it is necessary to focus on dealing with social problems that become risks for company management, the role of management accountants must implement social risk control in the design of company policies. Internal accountants as parties who play a role in providing information must participate in the management decision-making process. Because internal accountants are parties who intersect with social accounting so that they better understand the strategic values of social accounting and are supported by their duties to support management decisions. So, the internal accountant can introduce and realize to senior management the importance of including and analyzing social aspects. So it is expected that the company will become the main pillar to pay attention to social aspects of ESG so that it can be realized and committed to corporate policy making (Syahril & Arfiyanto, 2017).

Furthermore, the aspects of corporate ESG governance must pay attention to the main focus on how internal a company is, by looking at the management or good governance of a company. The role of accountants is needed to be able to implement good corporate governance, where the impact of company activities depends on management governance and company leadership. So that the design of governance results such as company regulations, company standards, corporate policies, corporate culture, information disclosure, and others are topics that must be considered by companies. When a company has good internal company quality, the company will get a good assessment in the eyes of investors, so that confidence is built in investors to invest in the company. To realize this, as a management accountant, a management accountant plays a role in the application of accountability principles through supervision of the reliability and integrity of information, both financial and non-financial information. When the company has transparent corporate financial governance, the company runs a legal business and also the absence of violations of ethical rights will certainly be something that investors take into account. Conversely, if the company implements a nontransparent financial management system, manages illegal business, and violates ethical rights, investors will get a negative assessment. The number of cases such as internal scandals, corruption, data falsification, and other internal conflicts is a corporate governance risk that must be considered to be the basis for decision making and corporate policy design (Sarnisa, Rafianamaghfurin, & Djasuli, 2022).

Many companies strive for greater eco-efficiency, which means increasing the production of goods and services by reducing the damaging effects of the production environment. But not all companies try the same to achieve the desired goals. Pollution and waste production are examples of negative impacts of industries that require accounting systems for environmental monitoring as an industrial responsibility. The existence of environmental accounting, used to identify, evaluate, measure and present the cost of waste management operational activities, to reveal environmental quality in order to optimize social responsibility areas. Environmental cost reporting is very important if a company is serious about improving environmental performance and controlling environmental costs (Amalia et al., 2022)

To prevent greenwashing, ESG can be improved by the following four factors: (a) more independent directors, (b) more institutional investors, (c) public interest, and (d) cross-listing countries. In particular, two factor company-level governance are the two most effective factors for weakening corporate greenwashing behavior, providing empirical support for stewardship, effective and responsible ownership, as companies exposed to greater scrutiny are less likely to engage in greenwashing (Dagotto, Yu, & Barouch, 2020).

Sustainability reporting as a practice of measuring, disclosing, and accountability efforts of sustainability activities that companies utilize to achieve sustainable growth, long-term success, and maintain survival. The results of this study show that disclosure of economic, environmental, labor, and product responsibility performance affects the company's financial performance. Managerial skills are proven to strengthen the positive influence of sustainability reports on company performance. The implication of the results of this study is that companies should consider the skills of managers who are able to manage company assets efficiently, so that on the one hand they can improve the company's sustainability report and on the other hand improve company performance. Sustainability reports on company performance and the role of managerial skills in increasing the positive influence of sustainability reports on company performance. The results support the research allegation that sustainability reports have a positive effect on company performance and managerial skills can increase the positive influence of sustainability reports on company performance.

Three of the six components of the sustainability report, namely economic, social, and labor performance, have a positive effect on the company's performance(Erhinyoja & Marcella, 2019). The results of the study show that managerial skills can increase the positive influence of sustainability reports on company performance, encourage companies to pay attention to and apply managerial skills, in order to further increase the positive impact of sustainability report disclosure on company performance (Ariantika & Geraldina, 2019).

CONCLUSION

Environmental, social, and governance (ESG) is a set of standards designed to evaluate and govern the performance of environmental, social, and corporate governance of businesses. It is one way to evaluate the rigor or sense of responsibility of a company towards social welfare, environmental protection, and economic progress. The accounting profession can play an important and vital role in achieving climate change mitigation and adaptation. Standardization of the preparation of Sustainability Reports containing environmental, social, and corporate governance performance, is needed to have a common footing between business and non-business organizations.

Environmental, Social, and Governance (ESG) information disclosure practices are one of the good strategies to apply for companies, because disclosure of this information is needed to shape a company's image. In order to care and increase awareness of the social environment and surrounding governance. This makes Environmental, Social, and Governance (ESG) a tool for companies to gain legitimacy from the community and stakeholders, where it will cause a positive response in the community by giving confidence in the use of company products, and also trust when investing in the company. In the future, it is hoped that there will be full support from the government, the community, and business companies related to the implementation of ESG, so as to achieve equitable distribution of ESG practices that have an impact on the creation of sustainable development.

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