

# Roles of Accountants and Sustainable Development Goals in Indonesian Crude Palm Oil Industry

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## Abstract

**Purpose:** This study aims to analyse the role of accountants in realising the achievement of the SDGs in Indonesia palm oil companies. The palm oil industry has a significant impact on economic and social conditions yet can damage environment. SDG principles will influence the transformation of company's business processes and frameworks which requires accountants as professional expertise, to rationalise opportunities in realising the SDGs.

**Design/methodology/approach:** This study used a descriptive qualitative method through a case study approach with secondary data and a literature review. Researchers conducted content analysis on sixteen Sustainability Reports and Annual Reports disclosed by palm oil companies for the 2018 period

**Findings:** The results show that Indonesia palm oil companies have the awareness to adopt SDG values as a business framework. Accountants are an essential component in compiling Sustainability Reports, especially in the palm oil industry

**Research limitations/implications:** This study relies on the researchers' interpretation of each reporting analysis, so it is possible to differ the analysis results if other researchers carry it out.

**Practical implications:** the accountants are expected to play a role in the SDGS

**Originality/value:** This study analyses the role of accountants in the SDGs of palm oil companies

**Paper type:** Research paper

**Keywords:** Annual report, Business strategy, Crude palm oil, Role of accountants, Sustainability report, Sustainable Development Goals

## Introduction

Rapid technological and economic developments have an impact on social and environmental aspects. Deteriorating environmental conditions due to exploitation of business activities and social disparities are serious problems that must be resolved together. Therefore, in 2012, the United Nations (UN) held a conference in Rio De Janeiro with representatives of UN member countries. The purpose of this conference is to formulate a series of global development targets that can address economic, political, social and environmental challenges and replace the old targets (Millennium Development Goals or MDGs) to become Sustainable Development Goals

(SDGs). The SDGs contain 17 goals with 169 indicators targeted to be achieved by 2030. The SDGs are a new guideline for countries worldwide to overcome these challenges by paying attention to good growth by delivering social and environmental values and providing optimal economic benefits (PWC, 2016).

SDGs aim to actively engage businesses actively because their innovation can assist the government in realising sustainable development (Makarenko & Plastun, 2017). Moreover, businesses are important partner in achieving SDGs (GRI, 2015). Companies can contribute through their core activities by creating responsible businesses and setting goals based on the SDGs. SDGs can link business strategies with global priorities and as a framework or guideline by companies to shape, direct, communicate and report on their strategies, objectives, and activities (GRI, 2015).

Achieving the SDGs relies on professional expertise to rationalise opportunities, build systems for delivering results, and report progress in attaining welfare creation benchmarks. Accountants can be relied on in achieving the SDGs because it has a key role in realising the 2030 Agenda (The Association of Chartered Certified Accountants/ACCA, 2017). Accountants can play a role in three perspectives, first, in business strategy to have a role as strategic decision-makers for corporate development and accounting itself; second, accountants play a role in operations in planning, budgeting, costing, and performance measurement; and finally, accountants in reporting have a role in preparing business reports, financial reports, sustainability reports, and conducting audits and assurance (Ball, 2011).

Indonesia is one of the relatively high palm oil-producing countries, with contributions from upstream to downstream reaching 6-7% of Gross Domestic Product (GDP) and contributing to total exports in 2016 of IDR 228 trillion (Yusa, 2019). Unfortunately, the palm oil industry has the potential to damage environmental conditions. From 2009-2013 the expansion of oil palm plantations contributed to the deforestation of more than 500 thousand hectares (Barri et al., 2018). It destroys carbon-rich peatlands and has a negative impact on biodiversity as well as the climate (Petrenko et al., 2016; Rist et al., 2010). Oil palm expansion can also cause other problems such as land conflicts with communities (Köhne, 2014), labour conflicts (Erman, 2017), land degradation (Fairhurst & McLaughlin, 2009) and as a cause of increased carbon gas emissions due to forest burning for land clearing (Danielsen et al., 2008).

Sustainability Report is one way to report the economic, social, and environmental impacts of company operations (GRI, 2016), which is closely related to the function of accountants in reporting (Ball, 2011) so that accountants play a major role in realising the SDGs. This study aims to analyse the sustainability report and annual report concerning the role of accountants in realising SDGs in oil palm companies in Indonesia. This research contributes to oil palm companies to determine how far the SDGs have been achieved and encourages the accountant profession to participate in the SDGs.

### **Literature Review**

Sustainability reports are inseparable from community demands directed to the company to be accountable for its activities. The community is one part of the social contract, and the theory of legitimacy guarantees that the company has tried to comply with the norms and rules in society (Deegan, 2004).

Social contracts also occur with other stakeholders, such as the government and regulators. These stakeholders are in second place, after the community. The PWC survey of CEOs stated that the government and regulators are stakeholders who play an important role in the company's strategy (PWC, 2016). This indicates that regulations or policies made by the government will directly influence business decision-making, including when the government

sets the SDGs as a global goal. Thus, companies must implement SDGs policies in their business strategies to gain legitimacy.

Community, government, labor, and customers are stakeholders who are defined as groups or individuals who can influence or be affected by the achievement of company goals (Freeman, 1984), who have a legitimate interest in the procedural and/or substantive aspects of company activities (Donaldson & Preston, 1995). The company's survival depends on the support of stakeholders (Gray et al., 1995), so that the business must be run in such a way that the rights and interests of stakeholders can be guaranteed, cared for, and respected.

Legitimacy and stakeholder theory are interrelated theories, stakeholder theory as a way to determine 'who is important' (influencing the company), and directing the company to which parties the entity's legitimacy should be made and maintained (Bebbington & Larrinaga, 2014). The government is a stakeholder whose regulations significantly impact management practices in terms of the company's internal system and the relationship and response to stakeholders (Jones et al., 2007). SDGs are designed to solve all problems concerning the common good. Therefore, companies must adopt SDGs components to maintain good relations with stakeholders.

The SDGs are a development agenda initiated by the United Nations (UN) to replace the previous agenda, namely the MDGs. The SDGs contain 17 goals set to be achieved by 2030 to address social, economic, and environmental challenges. The SDGs or Global Goals are universal actions to end poverty, protect the planet, and ensure all people enjoy peace and prosperity. The SDGs carry five fundamental principles that balance economic, social, and environmental aspects: people, planet, prosperity, peace, and partnership, known as "5P" (Panuluh & Fitri, 2016). The SDGs are participatory, which means that they would not be possible without the support of all levels of society, institutions, and organisations worldwide. The challenges of massive economic, social, and environmental problems have prompted the United Nations to overcome this by formulating Sustainable Development Goals (SDGs) to eradicate extreme poverty and bring the world towards sustainability. The SDGs will rely on professional expertise to operationalise opportunities, build systems for delivering results, and make progress reports. The SDGs can become part of the daily work of a new generation of professional accountants. Stronger governance and increasing use of digital technology can raise expectations on the role of professional accountants. As stated by ACCA that today and in the future, the accounting profession has a key role in achieving the 2030 Agenda.

Table 1: Role of Accountant based on IFAC (2016) and Makarenko & Plastun (2017)

No	IFAC (2016)	Targets	Makarenko & Plastun (2017)
1	SDGs 4: <i>Quality Education</i>	3, 6	-
2	SDGs 5: <i>Gender Equality</i>	5	-
3	SDGs 8: <i>Decent Work and Economic Growth</i>	1, 3	3 SDGs 8: <i>Decent Work and Economic Growth</i>
4	SDGs 9: <i>Industry, Innovation, and Infrastructure</i>	4, 5a	-
5	SDGs 12: <i>Responsible Consumption and Production</i>	6	6 SDGs 12: <i>Responsible Consumption and Production</i>
6	SDGs 13: <i>Climate Action</i>	1, 2, 3	-
7	SDGs 16: <i>Peace, Justice and Strong Institutions</i>	5, 6	-

8	SDGs 17: <i>Partnership for the Goals</i>	9, 13, 14, 16, 19	16, 18	SDGs 17: <i>Partnership for the Goals</i>
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The principle of sustainable development requires accountants to increase their knowledge, skills, and competencies and implement them throughout the accounting cycle. The sustainability report is the end of the accounting cycle intended for stakeholders as a source of decision-making information (Makarenko & Plastun, 2017). SDGs connected to the accounting profession, according to International Federation of Accountants/IFAC (2016) and Makarenko & Plastun (2017), are as shown in Table 1.

IFAC has established mechanisms for improving sustainability that is directly related to qualified accountant positions, including standards, codes of conduct, laws, reporting rules, shareholders commitment, and transparency. Ball (2011) identifies the important role of accountants in sustainability, namely the role of strategic, operational and reporting. According to Makarenko and Plastun (2017) and Ball (2011), accountants have the same function. These three roles are depicted in Figure 1.

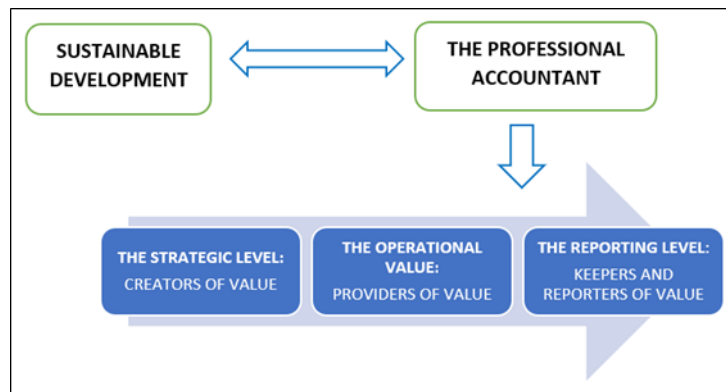


Figure 1: Role of Professional Accountant

Source: Modified from IFAC (2011) and Stanescu et al. (2018)

Stanescu (2018) stated that the role of professional accountants is the same as stated by Ball (2011) and Makarenko and Plastun (2017), namely creators of value, providers of value, keepers and reporters of value. This research is a modification of the three studies.

## Methods

This research is a qualitative descriptive study by collecting data in literature reviews from sustainability reports or annual reports, journals, and articles. The research object is focused on oil palm companies since Indonesia is a relatively high palm oil producer. However, oil palm has the potential to damage the environment. The data taken is in the 2018 period as the latest data available in full version and the initial requirement of the GRI Standard.

The data analysis technique used is by reviewing and describing the SDGs, which are the priority of each palm oil company in Indonesia with the content analysis method, then integrated with the role of accountants in supporting the achievement of the SDGs. The discussion is described by making a comparison of the SDGs priorities of each oil palm company which is adjusted to the “Business Reporting on the SDGs: An Analysis of the Goals and Targets” by GRI and UNGC (2017), then the SDGs are integrated with the role of accountants according to Makarenko and Plastun (2017), ACCA (2017), Ball (2011), and Stanescu et al. (2018).

In this study, the data analysis steps were as follows:

- Collecting data on the sustainability or annual reports of oil palm companies listed on the IDX for the 2018 period.
- Conducting content analysis by analysing the SDGs of oil palm companies in Indonesia following Business Reporting on the SDGs: An Analysis of the Goals and Targets” by GRI and UNGC (2017)
- Perform coding on information or appropriate data.
- Integrate the SDGs that are the priority of oil palm companies in Indonesia with the accounting profession's role to help achieve the SDGs.

### Findings

The results of the sustainability and annual reports were 16 companies, with details of six sustainability reports and ten annual reports of the crude palm oil company in Indonesia. Based on the content analysis, the SDGs priority of oil palm companies in Indonesia is determined by the number of companies that take concrete actions to achieve these SDGs. In this study, what is considered as a priority is the SDGs implemented by sixteen oil palm companies based on the disclosure table of the priorities of each SDGs. The following are the SDGs priorities for oil palm companies in Indonesia (details in Table 2).

Table 2: SDGs Priority in the Crude Palm Oil Industry in Indonesia (2018)

No.	Goals	Target	No. of companies
1.	SDGs 1: No Poverty	<i>Target 1.2</i> Reduce at least half the total number of the poor (men, women, and children of all ages) according to national definitions.	16
2.	SDGs 8: Decent Work and Economic Growth	<i>Target 8.5</i> By 2030, achieve full and productive employment and decent work for all women and men, including youth and persons with disabilities, and equal pay for work with the same value. <i>Target 8.3</i> Promote development-oriented policies that support productive activities, job creation, entrepreneurship, creativity, and innovation, and encourage micro, small, and medium enterprises' formation and growth, including access to funding/capital services.	16 15
3.	SDGs 12: Responsible Consumption and Production	<i>Target 12.6</i> Encourage companies, especially large-scale and transnational companies, to adopt sustainable practices and to include sustainability information in their reporting cycle.	16

No.	Goals	Target	No. of companies
4.	SDGs 15: Life on Land	<i>Target 15.2</i> By 2020, support the implementation of sustainable management of all forest types, inhibit deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.	15
		<i>Target 15.5</i> Take urgent and significant action to reduce degradation of natural habitats, inhibit the loss of biodiversity and by 2020, protect and prevent the extinction of threatened/endangered species.	13
5.	SDGs 16: Peace, Justice and Strong Institutions	<i>Target 16.5</i> Substantially reduce corruption and bribery in all forms.	16
		<i>Target 16.6</i> Build accountable and transparent institutions at all levels.	16
6.	SDGs 17: Partnership for the Goals	<i>Target 17.14</i> Increase policy coherence for sustainable development.	16

The priority of oil palm companies in Indonesia is to carry out their CSR activities following the SDGs. Almost all companies have implemented SDGs 1, 8, 12, 16, and 17. Only 13 companies implemented SDGs number 15. IFAC (2016) states that the accounting profession is an important driver of strong and sustainable organisations, financial markets, and the economy. As a result, the accounting profession inherently plays an important role in achieving SDGs and meeting company targets.

SDGs Goals number 4, 5, 8, 9, 12,13, 16, and 17 have interconnection with the accounting profession. Makarenko and Plastun (2017) specifically link the SDGs with the role of the accountant profession (see Table 1). Accountants as one of the professional expertise that helps realise the SDGs have three main functions of accountants: strategic function, operational and reporting. The three functions have different approaches in realising SDGs. In the strategic function, the accountant plays a role in creating sustainable development values. In contrast, in the operational function, the accountant has a role in maintaining the values of sustainable development. In the reporting function, the accountant has a role in overseeing and reporting on sustainable development (see Figure 1).

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the operational function, the accountant has a role in maintaining the values of sustainable development. In the reporting function, the accountant has a role in overseeing and reporting on sustainable development (see Figure 1).

Based on the analysis results on the crude palm oil industries, the company has SDGs priority as shown in Table 3. Makarenko and Plastun (2017) stated that in order to achieved SDGs, professional accountant has four main roles through Sustainability Report which are as a creator of value, providers of value, keepers of value, and reporters of value. IFAC (2016) specifically grouping eight SDGs that are relevant with the role of accountant as mention in Table 1. According to IFAC (2016), the priority SDG of the palm oil in Indonesia that align with accountant profession are SDG 8, 12, 16, and 17.

The results of this study indicate the role of accountants at each level as creators, providers, keepers and reporters of value.

### ***Creators of Value***

As creators of value, professional accountants are responsible for creating values that can increase awareness of sustainable development. Accountants can implement the values of sustainable development in company strategy and policies. When professional accountants effectively create sustainability values, accountants directly help the company become a strong organisation in the economic aspect and responsible in the environmental and social aspects.

Based on IFAC (2016), professional accountants can contribute in realising SDGs by raising the awareness of SDGs and the possible opportunity that might be created, helping to increase economic growth through their professional expertise, creating inclusive opportunity to the new accountant to fulfil market needs and supporting the development and adoption of globally accepted standards for the financial reporting in public and private sectors, auditing, ethics, and facilitating investment.

Creators of value are relevant to SDGs 8: decent work and economic growth. The palm crude oil company has the main target of encouraging development-oriented policies that support productive activities, job creation, entrepreneurship, creativity and innovation, as well as encouraging the growth of micro, small and medium enterprises, including providing access to financing/capital services, so that will provide decent work fairly. SDGs 8 has a relationship with SDGs 1 because economic growth can impact SDGs 1 to alleviate poverty. SDGs 8 is also related to SDGs 12 because in addition to helping improve the economy, the role of accountants is also needed to help grow a strong and responsible organisation through professional skills and competencies (IFAC, 2016).

### ***Providers of Value***

The sustainable development values that professional accountants have created are aimed explicitly at company management and report users to provide high-quality and relevant information to their needs. In company organisations, accountants are responsible for preparing internal control and decision-making and preparing financial reports for external reporting.

Accountants must participate in helping develop thinking about sustainability and raising awareness of the importance of business success, creating an agreed framework for companies to report on sustainability, prioritising businesses needing to change business processes, so that sustainability risks and opportunities are handled as part of routine management operations, reviewing environmental or sustainability disclosures to see whether the disclosures are fair, balanced, and understandable, and identify risks and opportunities associated with resources (Makarenko & Plastun, 2017).

Table 3: SDGs Analysis based on GRI and UNGC, IFAC and Makarenko, Plastun in the Crude Palm Oil Industry

No	SDGs		Total Companies	IFAC (2016) <sup>2</sup>	Makarenko and Plastun (2017) <sup>3</sup>	Role of professional accountant Makarenko and Plastun (2017); Stanescu et al. (2018) <sup>4</sup>
	Goals GRI and UNGC (2017) <sup>1</sup>	Target				
1	SDGs 1: No Poverty	1.2	16	-	-	-
2	SDGs 4: Quality Education	4.1	14	3, 6	-	-
3	SDGs 5: Gender Equality	-	-	5	-	-
4	SDGs 8: Decent Work and Economic Growth	8.3 8.5	16	1, 3	3	<b>Creators of Value (at the strategic level)</b> Take the lead in developing and implementing firm strategies that will generate long-term value.
5	SDGs 9: Industry, Innovation, and Infrastructure	9.4	10	4, 5a	-	-
6	SDGs 12: Responsible Consumption and Production	12.6	15	6	6	<b>Providers of Value (at the operational level)</b> A professional accountant is responsible for educating and directing the company's management to grow a strong business.
7	SDGs 13: Climate Action	13.1	13	1, 2, 3	-	-
8	SDGs 15: Life on Land	15.2	15	-	-	-
9	SDGs 16: Peace, Justice and Strong Institutions	16.5 16.6	16	5, 6	-	-
10	SDGs 17: Partnership for the Goals	17.14	16	9, 13, 14, 16, 19	16, 18	<b>Providers of Value (at the operational level)</b> Providers of sustainable development values and strong business. <b>Keepers and Reporters of Value (at the Reporting Level)</b> Professional accountant exercises their authority as reporters of value by communicating the value-added distribution to shareholders openly and consistently.

**Notes:**

<sup>1</sup> Analysis reporting of crude palm oil based on Business Reporting on the SDGs: An Analysis of The Global Targets (2018)

<sup>2</sup> Target SDGs and contribution of accountant based on research IFAC (2016)

<sup>3</sup> Role of accountant of target SDGs based on result from Makarenko and Plastun (2017)

<sup>4</sup> Role of professional accountant based on modified Makarenko and Plastun (2017) and Stanescu et al. (2018)



ACCA (2017) specifically explained about contribution of accountant to the SDGs realisation, especially in terms of providing SDG values: (1) professional accountants involved in assessing and achieving opportunities related to SDG in the broader context of operating in more complex markets where sustainability development issues are the heart of the value creation; (2) professional accountants have responsibility to fulfil public demand for the better and clearer risk assessment of the relationship between value creation and destruction of social, environment, and financial through integrated reporting frameworks; (3) professional accountants are able to analyse environmental and social data through accountant's core expertise such as ethics, assessment, reporting, and auditing by utilising developing technology; (4) professional accountant are able to provide quality and reliable information using the SDG as a framework that is easy for investors to understand; (5) professional accountants as liaisons between the government and private sectors in collecting and measuring data in the SDG implementation and reporting, since the applicable regulations are affected by the SDG.

Palm oil companies in Indonesia have fully implemented the SDGs related to providers of value (see table 3). The company has paid attention to sustainability, especially its implementation in terms of Responsible Consumption and Production.

### ***Keepers of Value***

Professional accountants have the responsibility to maintain the values created to create consistency in the implementation of the SDGs principles in every company activity. IFAC (2016) argues that SDGs target 16.5 substantially reducing corruption and bribery in all forms, and target 16.6 can create accountable and transparent institutions at all levels. Accountants play a role in SDGs 16 by maintaining and implementing Good Corporate Governance (GCG) principles in business processes. Oil palm companies in Indonesia disclose the principles of GCG in their Annual Report and Sustainability Report. The disclosure of the two reports is also the company's compliance in implementing the principles of transparency and accountability of the company's performance reports to the public, especially to stakeholders. Strong institutions are based on good governance, rooted in open budgeting and sound financial reporting (IFAC, 2016). For decades, the accounting profession, including auditors and professional accountants in business and government, has supported anti-bribery and anti-corruption movements through reporting standards and codes of conduct established globally (IFAC President, 2016). Professional accountants are required to increase their capacity to monitor and control fraud, corruption, and money laundering within the company. Accountants are also responsible for promoting the importance of external public-sector audits in monitoring and reporting national efforts to implement the SDGs. The accountability report of the performance of the oil palm company conducts an audit with an external auditor, as shown in the company's Annual Report.

Apart from SDGs 16, SDGs relevant to the role of accountants as keepers of value are SDGs 17: Collaboration to Achieve Goals. Cooperation or partnership is the primary key in realising the SDGs. One way to maintain the cooperation formed by oil palm companies in Indonesia is by aligning company policies with the principles of sustainable development.

### ***Reporters of Value***

Sustainability Report is the output of the performance of a professional accountant who performs the reporting function. This is relevant to SDGs 12 which target is to encourage companies, especially large-scale and transnational companies, to adopt sustainable practices and integrate sustainability information into the reporting cycle. The role of accountants in

SDGs 12 is required to build a management control system that enables company managers to be able to integrate sustainable practices into ongoing practices. Accountants in the value chain can encourage cleaner production systems that can reduce the amount of waste, thus creating responsible production.

GRI and UNGC (GRI & UNGC, 2017) explain that to achieve the SDGs target 12.6, accountants can carry out their role by making sustainability reports related to economic, social, and environmental performance in accordance with applicable standards or reporting frameworks. One of the functions of an accountant is reporting, which has a role in compiling business reports, financial reports, sustainability reports, and conducting audits (Ian Ball, 2011). Makarenko and Plastun (2017) said that accountants have an important role in measuring, evaluating, and disclosing developments in achieving the SDGs by companies through the Sustainability Report. Accountants as mediators who communicate company performance in the form of Annual Reports and/or Sustainability Reports use the SDGs framework to make it easier for stakeholders to understand the report. In this case, accountants also have an accountant's duty to apply sustainability principles in business practices (GRI & UNGC, 2017).

Palm oil company in Indonesia have had the awareness to adopt SDG values as a business framework. Although there are several companies that have not yet adopted the value of SDGs as a whole. Among sixteen companies, five of them have disclosed SDG elements that become the company priority in conducting business process and CSR, while the other eleven companies apply the triple bottom line concept in implementing CSR activities.

### **Discussion and Conclusion**

This study aims to determine the role of accountants in realising SDGs' achievement, which is a priority for the palm oil industry in Indonesia, carried out using the literature review method on the Annual Report or Sustainability Report of 16 palm oil companies listed on the IDX for the 2018 period. Based on the data obtained, the company palm oil in Indonesia has the awareness to adopt SDG values as a business framework. However, several companies still have not adopted the SDGs values as a whole. There are 16 companies, five of which have disclosed SDGs elements that focus on the company in carrying out business processes and CSR. In comparison, the other 11 companies apply the triple bottom line concept in implementing CSR activities. The triple bottom line concept, which is a balance between economic, social, and environmental in business processes, has the same substance as the SDGs. The basic principles of the SDGs are to ensure the sustainability of people, planet, prosperity, peace, and partnerships.

The results show that the role of accountants is as creators of value, providers of value, keepers and reporters of value in realising SDGs, especially in the oil palm industry in Indonesia. Accountants as an important component in business, have a role in creating and instilling SDG values in business strategy and implement them in business operations. As professional experts, accountants are responsible for communicating the SDGs that businesses have achieved through Annual Reports and/or Sustainability Reports as a form of transparency and corporate accountability to the public and government.

### ***Theoretical Implications***

This study has increase knowledge legitimacy theory related to oil palm companies that have met the expectations of the community in terms of sustainable development.

### ***Practical and Social Implications***

The accountants are expected to play a role in the SDGs.

***Limitations and Suggestions for Future Research***

This research was conducted by reviewing journals and articles related to SDGs and analysing Annual Reports and Sustainability Reports, which limited researcher subjectivity. This study relies on the researchers' interpretation of each reporting analysis, so it is possible to differ the analysis results if other researchers carry it out.

This study uses the oil palm sector as an object, although company priorities differ for each sector and must be critically analysed for each SDG objective. When linked to goals 13 which is a priority for the industrial sector by 52% (UNGC, 2020), crude palm oil companies do not all report these goals. Researchers can analyse other industrial sectors that focus on SDGs 13 because only 6% already have meet emission reduction targets (UNGC, 2020)

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