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THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN SUPPORTING SDGS: A PROPRIETY AND FAIRNESS PERSPECTIVE

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ABSTRACT

Introduction: Increasingly complex environmental challenges demand transparent and accountable measurement of corporate social responsibility (CSR). To create corporate value and monitor social, environmental, and economic impacts, companies and governments collaborate to promote ethical CSR practices and meet existing regulatory requirements, while supporting transparency and accountability in achieving the Sustainable Development Goals (SDGs). However, varying CSR measurement standards often make it difficult to compare performance between companies.

Objective: To uncover how stakeholders define the propriety and fairness of companies to achieve the SDGs.

Method: Research data were obtained from interviews with company leaders/internal auditors/external auditors/teams involved in the company's CSR evaluation process totaling 81 people. The data collection process was carried out in a hybrid manner.

Results and Discussion: In terms of regulations, most companies have complied with regulations related to transparency, financial reporting, and CSR. In terms of propriety and fairness, CSR costs cannot be classified as income, but rather as a reduction in taxable income (expenses). However, it turns out that there are still companies that include CSR costs in other income.

Research Implications: This study develops a model for assessing the propriety and fairness of CSR in sustainability reporting, including the social and environmental impacts of its business to support the achievement of SDGs.

Originality/Value: This study produces a measurable assessment of the propriety and fairness of corporate CSR, which supports SDGs in improving corporate accountability and transparency.

Keywords: sustainable development goals (SDGS), sustainability reporting, social and environmental responsibility (CSR), propriety and fairness, assessment model.

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1 INTRODUCTION

In Indonesia, Sustainability Report (SR) has been mandatory for financial institutions and public companies since 2019. This provision is regulated in OJK Regulation No. 88/POJK.03/2019 concerning Submission and Reporting of Sustainability Reports. In addition to reporting the operational performance of Environment, Social, and Governance (ESG), SR is also a strategic assessment tool and communication platform with investors and various stakeholders, as a form of annual "health" check on the company's strengths and weaknesses for sustainability improvements that are beneficial to the company's business and stakeholders (Khatri *et al.*, 2023). This is a manifestation of Article 15 letter b of Law No. 25 of 2007 concerning Investment which states that every investor is obliged to carry out corporate social responsibility (CSR). Furthermore, Law No. 40 of 2007 concerning Limited Liability Companies and Government Regulation No. 47 of 2012 concerning CSR also regulate the obligations of each company's CSR. Article 1 number 3 states that TJSL is the Company's commitment to play a role in sustainable economic development to improve the quality of life and environment for local community companies, as well as communities that require transparency of CSR information to their concern for environmental and social issues (Eisele *et al.*, 2024). CSR is an important part of SR which presents information on various aspects of sustainability, including the social and environmental impacts of its business. The company's TJSL is the main focus in SR because it has a significant impact on stakeholders and the surrounding environment. In the context of SR, corporate social responsibility includes aspects of labor relations, human rights, compliance with social regulations, involvement with local communities, and contributions to social development. This is intended to increase transparency, accountability, and responsibility of the company for its impact on society and the environment (Jung *et al.*, 2024).

In Indonesia, disclosure of climate-related risks and/or opportunities identified in corporate SRs increased from 77% (2021) to 88% (2022). The report describes sustainability responsibilities and efforts, and increases credibility in the community (Nadhiroh, 2020). In addition to being a form of transparency to the public, SRs also align with global standards and demonstrate the company's commitment to sustainable development goals. Article 74 paragraph (2) of the Law states that CSR is a Company obligation that is budgeted and calculated as a Company cost whose implementation takes into account propriety and fairness. CSR is implemented by the Board of Directors based on the company's annual work plan after obtaining approval from the Board of Commissioners or GMS, and contains the activity plan and budget needed for the implementation of CSR. Problems arise when the CSR regulations only regulate its implementation to be included in the Company's annual report and accounted for to the GMS, without any clear interpretation of the propriety and fairness indicators (Nora & Keizerina, 2022).

In fact, some companies tend to present themselves as companies using greenwashing techniques to cover up their actual negative impacts or to beautify their image without substantial improvement. The existence of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines that guide the preparation of sustainability reports still does not make all aspects of sustainability easily measurable or quantifiable. This has an impact on inconsistencies in the assessments used by companies (Kamil *et al*, 2022). Sustainability reports often rely on self-disclosure from companies, which can increase the risk of bias or manipulation of information. Comparison of sustainability performance between companies is often difficult due to differences in measurement methods, report scope, assessment criteria, and legal uncertainty about CSR fund allocation patterns. Article 74 paragraph (2) of the 2007 UUPT stipulates that CSR implementation is carried out by paying attention to propriety and fairness. The measure of propriety and fairness is not stated in the legislation, so companies have the flexibility to determine the amount of TJSL fund allocation that is appropriate and reasonable. Article 74 paragraph (2) of the 2007 UU stipulates CSR as a legal obligation but the measure of its implementation is more directed at considering the company's morality, which can result in differences in the quality and consistency of reports between companies. Some social, environmental and economic impacts of corporate activities are difficult to measure accurately and take a long time to become visible (Marthin *et al.*, 2018). Furthermore, some companies choose to cover up or limit certain information in their reports which impacts the credibility and value of the report.

2 IDENTIFICATION OF GOOD PRACTICES IN ASSESSING THE APPROPRIATENESS AND FAIRNESS OF CSR

In this case, propriety can be interpreted as the conformity of actions and decisions in a PT with applicable laws and business ethics. The conformity in question is the fulfillment of Government Regulations governing CSR, such as regulations requiring companies to report their social and environmental activities. In Indonesia, for example, large companies are required to report CSR activities in their annual reports in accordance with OJK Regulations and the Company Law, including providing clear and honest information about CSR initiatives, including their objectives, activities, and results. This transparency helps build trust among stakeholders, including compliance with environmental regulations that govern the impact of company operations on the environment. For this reason, a CSR policy is needed that is in accordance with laws and regulations and business ethics principles. This policy must be clear, measurable, and socialized to all employees.

In addition, the company must also implement a monitoring system to ensure that CSR activities are carried out in accordance with policies and regulations, and prepare a detailed annual report on CSR activities, including achievements, challenges, and use of funds. CSR in companies is regulated by various laws and regulations in Indonesia, including Law No. 40 of 2007 concerning Limited Liability Companies, as well as policies related to CSR. In addition, business ethics is an important foundation in implementing CSR to ensure that companies operate sustainably and responsibly. The results of the CSR propriety and fairness mapping in each sector can be seen as follows:

The implementation of propriety and fairness in CSR programs in various sectors of basic materials, consumer goods, healthcare, retail/wholesale trade, agriculture & consumer staples, industrial goods, consumer discretionary, and financial include different components, but have a core similarity based on compliance with regulations, business ethics, and responsibility for social and environmental development. Each sector faces different challenges and opportunities, but the TCSR program always aims to provide a sustainable positive impact. All sectors are required to comply with government laws and regulations related to social and environmental responsibility. These regulations can include environmental protection laws, labor standards, and regulations on greenhouse gas emissions.

Companies in all sectors must ensure that their operations meet these regulatory requirements as part of propriety in CSR. CSR also involves the application of ethical standards that include fairness in the treatment of employees, transparency in the supply chain, and a commitment to sustainable business practices. In all sectors, companies are expected to conduct business ethically and responsibly towards the community and the environment. CSR in all sectors encourages companies to not only focus on profits, but also ensure they contribute to sustainable economic, social and environmental development. For example, through programs that support education, community economic empowerment, health and environmental preservation.

a. For the basic materials sector, appropriateness can be measured by how far the company's CSR program contributes to environmental improvement (such as rehabilitation of ex-mining land) and social welfare (such as education or health programs for affected communities). Companies must comply with environmental regulations set by the government and related institutions. This includes environmental permits, waste management, and protection of natural resources. Companies must develop a CSR policy that includes a commitment to compliance with laws and regulations and the implementation of CSR programs. Implementation of compliance with laws and regulations in CSR programs in the basic materials sector is very important to ensure that companies operate legally and responsibly;
b. In the consumer goods sector, companies are heavily involved in waste management, especially plastic, and the use of natural resources. In other words, compliance with environmental regulations and product safety is very important. The consumer goods sector often supports recycling programs and consumer education related to the use of

environmentally friendly products. Implementation of Compliance with Laws and Regulations in CSR programs in the consumer goods sector is very important to ensure that companies not only operate legally, but also contribute positively to society and the environment. Consumer goods companies are often directly involved in the production and distribution of goods consumed daily by the public, thus having a major impact on the environment and Society;

c. For the healthcare sector, implementing compliance with laws and regulations in CSR programs in the healthcare sector is very important to ensure that health services are provided with high standards and are socially responsible. By implementing compliance with laws and regulations in CSR programs in the healthcare sector, organizations in the healthcare sector can ensure that they provide safe, quality, and responsible services, while contributing positively to society and the environment;

d. In the retail/wholesale trade sector, companies must comply with ethical standards in the supply chain, ensuring that traded products meet environmental and social standards. CSR programs often include initiatives that encourage fair trade and support small and medium-sized businesses. Implementation of compliance with Laws and Regulations in CSR programs in the retail/wholesale trade sector includes compliance with various regulations that aim to ensure that business activities are not only economically profitable, but also make a positive contribution to society and the environment. Companies must ensure that the products they sell are safe and of high quality, and avoid practices that harm consumers such as misleading advertising or fraud. Companies in the trade sector must engage in efforts to reduce the environmental impact of their operations, for example by using environmentally friendly packaging, supporting recycling programs, or reducing the carbon footprint in the supply chain. Trading companies are required to pay attention to the welfare of workers, both within the company and along the supply chain. This includes ensuring that workers in supplier companies are also treated fairly in accordance with labor regulations.

Companies in the trade sector must implement transparent and corruption-free business practices. This can include anti-bribery policies and the application of ethical standards in relations with suppliers and trading partners. Companies can engage in programs that ensure that their products are produced in a sustainable manner, both environmentally and socially, such as using sustainably sourced materials or supporting local communities. Trading companies can run CSR programs that help MSMEs grow and compete in the market through training, access to capital, or marketing;

e. For the agriculture and consumer staples sectors, companies must comply with regulations related to land use, forest protection, and worker welfare. Sustainable agricultural practices are a primary focus. Several CSR programs in the plantation sector often focus on improving the welfare of local communities, biodiversity conservation, and ecosystem restoration. Implementation of Compliance with Laws and Regulations in CSR programs in the plantation sector is very important because this sector has a significant impact on the environment, society, and economy. Plantations often face environmental issues such as deforestation, greenhouse gas emissions, and social welfare. Therefore, CSR programs in this sector must comply with national and international regulations that govern the management of natural resources, the environment, and socially. Plantation companies must comply with rules regarding land management, including not clearing land by burning, and implementing sustainable agricultural practices;

f. In addition to plantations, livestock is also included in this sector. Implementation of compliance with laws and regulations in the CSR program in livestock also involves adjusting the program to various regulations that regulate social, environmental, and economic aspects. This aims to ensure that the CSR program runs within legal boundaries, supports government policies, and provides sustainable benefits for the community, environment, and livestock industry. Programs that support animal health through vaccination, preventive treatment, and maintenance of hygiene standards in livestock facilities are in accordance with animal health regulations. The CSR program must be run transparently, including in reporting CSR activities and results to the government and the community. This shows compliance with the principle of accountability stipulated in Law No. 40/2007. Every major project in the livestock industry must include an Amdal report that complies with the regulations. The CSR program must consider efforts to minimize negative impacts on the environment that may occur during operations;

g. For the industrial goods sector, the company develops a clear CSR policy that includes a commitment to compliance with applicable regulations. This policy must be socialized to all employees, and participate in initiatives to reduce environmental impacts, such as the use of environmentally friendly technology and emission reduction. By implementing compliance with laws and regulations in the CSR program, companies in the industrial goods sector can ensure that they operate legally, responsibly, and make a positive contribution to society and the environment;

h. For the consumer discretionary sector, the company understands and complies with all regulations related to consumer protection, such as laws on product labels, honest advertising, and product safety. The company provides training for employees on relevant regulations, as well as the importance of compliance in the CSR program. This training can include managing consumer complaints and compliance with product safety standards, as well as conducting transparent reporting to stakeholders on CSR performance and compliance with applicable regulations;

i. For the financial sector, in this case banking, banks must comply with regulations related to financing projects that have social and environmental impacts, such as financing that supports renewable energy and environmentally friendly investments, as well as participating in financial literacy and financial inclusion programs, helping the community to gain access to affordable banking services. Banks are required to have a CSR program related to sustainable economic development, such as funding for environmentally friendly projects or inclusive financing for MSMEs. In addition to compliance, business ethics in the financial industry demands transparency in providing credit and assessing risks, especially regarding investments in sectors that have a major impact on the environment or society. CSR in the banking sector is needed to create a positive impact on society and the environment, mitigate social and environmental risks associated with financing, and comply with sustainability regulations and standards. In addition, CSR helps build the reputation, trust and competitiveness of banks, while encouraging more sustainable and equitable economic growth for all stakeholders.

3 ASSESSMENT OF SOCIAL AND ENVIRONMENTAL IMPACT IN THE COMPANY

Identifying and assessing the social and environmental impacts of a company's operations is an important part of CSR and business sustainability. This is important because companies are required to comply with various regulations related to the environment and social responsibility. Identification and assessment of impacts help ensure that companies meet applicable legal obligations, avoiding sanctions or fines. Companies that identify and manage social and environmental impacts have a better reputation in the eyes of the public. This can increase the trust of investors, customers, and other stakeholders, which in turn can support business growth. By understanding social and environmental impacts, companies can identify potential risks that may arise from their operations. Proactive risk management can help companies avoid crises that can harm business and damage reputation. Identification and assessment of social impacts support the implementation of effective corporate social responsibility programs.

Under environmental law in Indonesia, the assessment of social and environmental impacts in operations is strictly regulated by regulations that focus primarily on environmental protection and community welfare.

a. For the basic materials sector, the implementation of compliance with laws and regulations in the CSR program in the basic materials sector is very important considering the high environmental and social risks of operational activities related to the extraction and processing of natural resources;

b. For the consumer goods sector, the implementation of Compliance with Laws and Regulations in the CSR program in the consumer goods sector is very important to ensure that companies not only operate legally, but also contribute positively to society and the environment. Consumer goods companies are often directly involved in the production and distribution of goods consumed daily by the community, so they have a major impact on environmental management, consumer protection, waste and packaging management, and the development of more environmentally friendly industries. By complying with these regulations, companies can run responsible CSR programs, provide positive impacts on society and the environment, and support the government's sustainable development goals;

c. For the Healthcare sector, the implementation of Compliance with Laws and Regulations in the CSR program in the healthcare sector is by conducting a program to continuously improve the quality of health services, such as training medical staff and implementing the latest technology, and holding educational programs to increase public awareness of health, disease prevention, and a healthy lifestyle. Although the healthcare sector is more dominant in terms of social, there are also environmental aspects that need to be considered, such as medical waste management, energy use in healthcare facilities, and efforts to reduce carbon footprints through technological innovation;

d. For the retail/wholesale trade sector, the implementation of Compliance with Laws and Regulations in the CSR program in the retail/wholesale trade sector requires compliance with regulations governing social and environmental responsibility, as well as the impacts caused by trade activities on society and the environment. The retail/wholesale trade sector covers a variety of activities, from trading goods to services, and has a responsibility to support social and environmental sustainability;

e. For the agriculture and consumer staples sectors, the implementation of Compliance with Legislation in CSR programs in the agriculture and consumer staples sectors is an effort to ensure that all CSR activities are in accordance with applicable regulations. This includes a number of steps to comply with legal provisions and regulations governing the relationship between plantation companies and the surrounding community and the environment;
f. For the industrial goods sector, the implementation of Compliance with Legislation in CSR programs in the industrial goods sector. The industrial goods sector tends to produce significant waste, pollution, and emissions, which if not managed in accordance with regulations, can damage the environment and threaten the sustainability of operations. The implementation of CSR in accordance with regulations helps companies reduce negative impacts on the environment;
g. For the consumer discretionary sector, the implementation of Compliance with Legislation in CSR programs in the consumer discretionary sector. By complying with regulations related to CSR, companies in the consumer discretionary sector can meet the expectations of consumers who care about sustainability, such as the use of environmentally friendly materials, ethical production practices, and good waste management. Many companies in the consumer discretionary sector rely on global supply chains, which involve multiple suppliers and manufacturers. Implementing CSR in accordance with regulations can help companies ensure that their entire supply chain adheres to high social and environmental standards, such as decent working conditions and sustainable resource management. Implementing Compliance with Regulations in CSR in the consumer discretionary sector is essential because it helps companies manage legal, environmental and social risks, while enhancing their reputation, transparency and competitiveness in the global marketplace;
h. For the financial sector, in this case banking. Implementation of Compliance with Laws and Regulations in CSR includes steps taken by banks to ensure that the CSR programs they run are in accordance with

applicable laws and regulations. In this sector, the main focus of CSR is on compliance with regulations related to social responsibility, the environment, and broader business ethics.

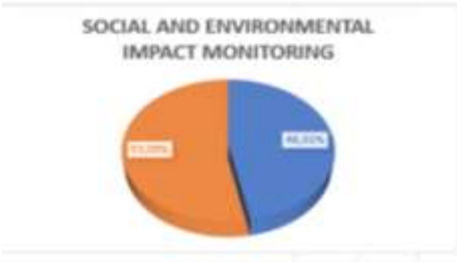
4 METHODS FOR MEASURING THE APPROPRIATENESS AND FAIRNESS OF CSR IN COMPANY

Measuring the appropriateness and fairness of a company's CSR requires a systematic approach that involves various dimensions, including social, economic, and environmental. CSR is a company's effort to contribute to society and the environment as part of its responsibility. From Figure 1, it can be seen that 38 respondents (46.91%) said that their companies, which are public companies, routinely monitor social and environmental impacts. Meanwhile, 43 respondents (53.09%) said that their companies have not routinely conducted monitoring. The company conducts monitoring periodically, usually every quarter. This is important to ensure that the steps taken are effective and if there are problems, they can be resolved immediately before causing a greater impact. By routinely monitoring the environmental impact of operations and waste management, the company strives to ensure that there are no violations of applicable environmental standards and regulations, and to ensure that our waste management system is effective and does not cause environmental or social problems for the surrounding community. Routine monitoring is needed to ensure the effectiveness of the management steps that have been taken and to immediately follow up if any problems arise.

Moreover, CSR is an important aspect in building a positive image and public trust in the company. The propriety and fairness in implementing CSR reflects the company's commitment to ethics and sustainability. Through assessment, the company can measure whether the CSR program being implemented is in accordance with the social and environmental goals it wants to achieve. A CSR program that is well managed and in accordance with propriety and fairness will support long-term business sustainability. This is because companies that contribute positively to society and the environment will receive support from stakeholders, including the community, customers, and government.

Figure 1.

Social and Environmental Impact Monitoring



Source: Processed primary data (2024)

The company also conducts surveys with stakeholders to identify the social and environmental issues that are most important to them and measures whether the CSR implemented has addressed the social and environmental risks relevant to the company's operations. In addition, companies are required to report their CSR activities in a transparent and accountable manner. A quality sustainability report must include adequate information on the social, environmental, and economic impacts of the CSR program being implemented, as well as report performance clearly and responsibly. A transparent and accountable sustainability report allows companies to demonstrate to stakeholders, including investors, customers, governments, and communities, that the company is responsible for the social, environmental, and economic impacts of its business activities.

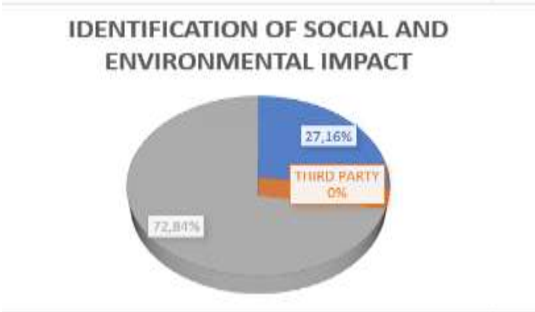
To evaluate the appropriateness and fairness of CSR, the company is carried out using financial and non-financial indicators, especially those related to Environmental, Social, and Governance performance). In many companies, the appropriateness and fairness of CSR can also be measured by comparing the company's CSR performance with other companies in the same or similar sectors, so that companies can see how much they have invested in CSR.

5 FULFILLMENT OF THE PRINCIPLES OF CSR PROPERTY AND FAIRNESS

The process of identifying and assessing social and environmental impacts is carried out with the aim of ensuring that the implementation of CSR in each company has complied with applicable laws and regulations, so that it can be known whether the company has m*et al*l legal requirements related to social and environmental responsibility and avoided potential legal sanctions. By measuring and reporting impacts systematically, companies can provide evidence to stakeholders that they are responsible for the social and environmental impacts of their operations. In addition, companies can make adjustments to improve the effectiveness and efficiency of the program, so that the impact is more in line with the goals and needs of the community.

Figure 2.

Identification of Social and Environmental Impact



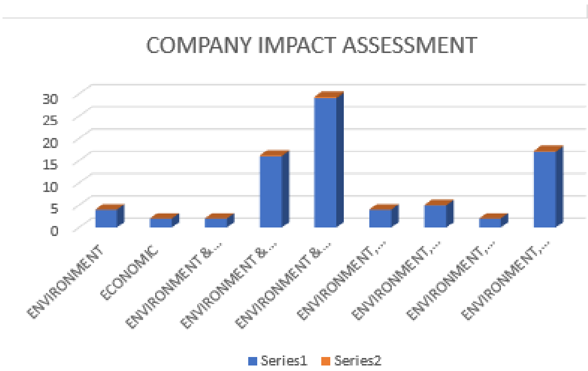
Source: Processed primary data (2024)

From Figure 2, it can be seen that as many as 59 respondents (72.84%) stated that their company identified social and environmental impacts using an internal team that understands the company's operations and also involves third parties who are experts in the environmental field. Meanwhile, as many as 22 respondents (27.16%) identified social and environmental impacts using only an internal team. Of course, there are many company considerations, including companies having more limited resources and not having a large enough budget to hire external consultants.Some companies prefer to directly control the process of identifying social and environmental impacts, so by involving an internal team, the company can oversee the entire process and ensure that the analysis results are in line with the company's vision, mission and values.

Each company has an environmental management policy that is regulated in the company's SOP in identifying social and environmental impacts. It contains guidelines on how to handle hazardous waste and procedures for reporting social and environmental impacts periodically. The company also has internal procedures that regulate how to manage waste and its impacts. These procedures include environmental risk assessments from each stage of waste production and processing. There are also companies that follow environmental management policies in accordance with the ISO 14001 standard to ensure that identification of social and environmental impacts is carried out consistently and systematically. The company follows the procedures that have been set out in the waste management policy and the ISO 14001 standard for environmental management systems to maintain consistency in identifying impacts and managing waste properly. The company has a clear waste management policy and impact evaluation procedures that include waste monitoring, regular reporting, and cooperation with third parties to ensure that all aspects of impact are managed properly.

Figure 3.

Company Impact Assessment



Source: Processed primary data (2024)

From Figure 3, it was found that most respondents assessed the social and environmental impact of the company based on environmental and health aspects, namely 29 respondents (35.8%), while those who based it on environmental, social, economic and health aspects were 17 respondents (20.99%). This can be explained especially those engaged in the basic materials, consumer goods, healthcare, agriculture & consumer staples, industrial goods, and consumer discretionary sectors often have a large environmental impact, both in terms of air pollution, hazardous waste, and exploitation of natural resources that can have long-term impacts, so this aspect receives serious attention. The environment is one of the aspects that is most easily seen and felt by the community and stakeholders, such as forest damage, air pollution, water, and decreased environmental quality due to activities carried out by the company. In terms of health, the public is also increasingly aware of the impact of a polluted environment on their well-being, and often becomes more critical of companies that are considered to be damaging the environment which has an impact on declining public health. in this case, the government and regulatory bodies usually set standards that must be met by companies to reduce negative impacts on the environment and public health. Most respondents believe that the impacts of environmental damage and health problems have direct consequences that are easily seen and felt by the community, so this is the main focus in the assessment. After that, environmental and economic aspects are the next focus because the two are interrelated. Some respondents said that they want to understand the overall impact of their operational activities, not only on the environment but also on the community and local economy, so that the company can plan more effective mitigation measures.

Companies do have an obligation to report their social and environmental impacts, and this is usually done through a sustainability report because this report is more detailed and comprehensive, covering sustainability initiatives, mitigation policies, target achievements, and challenges faced by the company. However, they can also include information related to social and environmental impacts in their annual reports. Many companies include social and environmental performance in their annual reports, especially if the company has a simpler policy or has not been fully integrated with the sustainability report. Annual reports usually focus more on financial performance, including revenue, profit, assets, and liabilities, as well as information on business strategies and future projections, but do not provide in-depth details on social and environmental performance as contained in a sustainability report.

Several respondents said that their companies report social and environmental impacts through a comprehensive annual report to ensure transparency and provide clear information to stakeholders. Although companies can include social and environmental impact information in their annual reports, preparing a separate sustainability report is often considered a best practice to provide a clearer and more detailed picture of Environmental, Social, and Governance (ESG) performance, so that there is no neglect of important issues for stakeholders interested in ESG aspects. Moreover, currently many stakeholders, including investors and consumers, prefer greater transparency through sustainability reports. Indeed, in the Notes to the Financial Statements (CaLK), companies can disclose costs related to CSR initiatives or sustainability programs, including costs for impact mitigation, employee training, or development activities, or in the Management Discussion Analysis (APM) which usually discusses the company's overall performance and provides context for the figures presented in the financial statements, can be added to discuss social and environmental impacts, but in the sustainability report, companies can further describe the company's commitment to sustainability and its strategy, identify social, environmental, and economic performance, challenges and opportunities, social and environmental risks relevant to the company's operations, risks related to environmental policies, regulatory compliance, and social impacts on local communities, as well as their measurement and reporting.

In terms of CSR cost allocation, it must also be checked whether it is correct or not. CSR costs are expenses incurred by the company as part of its commitment to running programs that aim to provide social, economic, and environmental benefits to the community and the surrounding environment. These costs are incurred as part of the company's social obligations, such as expenses aimed at protecting or improving the environment, such as greening activities, waste management, greening programs, waste management, or for economic empowerment in the form of programs that help improve the economic welfare of the community around the company's operations. By running a CSR program that focuses on sustainability, the company can help maintain environmental and social sustainability, which in turn helps ensure the sustainability of the company's operations. In financial reports, CSR costs are usually recorded as the company's operating expenses. These costs are included in expenses that affect the company's net profit, and TJSL expenses can be recognized as tax deductions, depending on the type of CSR activity and applicable tax regulations. When respondents were asked for their opinions, it was stated that their company recorded CSR as an expense. For companies engaged in the chemical sector that can produce waste that is hazardous to the environment and health, waste management requires significant costs every month to ensure that waste is managed properly so as not to pollute the environment.

CSR is more considered as a cost, especially for liquid waste management that requires costs for processing. CSR costs include investments in environmental impact management, regulatory compliance, and long-term social contributions. CSR costs are not a source of income because waste management involves third parties with large contracts, which are issued periodically and recorded as monthly expenses in the company's accounting. However, investments in CSR such as waste management and assistance to the community not only help maintain a positive company image and comply with environmental regulations, but also provide significant social benefits that create harmonious relationships between companies and local communities, which can later improve the company's reputation. However, in practice, in several companies that have not gone public in this study, especially for chicken farms and wood and its processing, it is seen that the cost of waste processing is not comparable to the income obtained. They sell waste from chicken manure for manure. While chicken carcasses are sold to catfish farmers. Meanwhile, they also sell wood waste in the form of sawdust and leftover wood pieces. The results of these sales are quite large and are included in other income, and are even subject to Value Added Tax (VAT). This means that companies spend CSR costs, but they earn more income than their costs. In fact, CSR costs cannot be recognized as other income in the company's financial statements, because TJSL is a company's expenditure intended to carry out its obligations to the environment and society. In accounting, CSR costs are recorded as a company expense or expenditure, not as a source of income.

CSR costs are part of the company's responsibility to provide social and environmental contributions, so they are recorded as part of CSR. The company cannot recognize this as income because it does not generate direct profits for the company, but rather a form of expenditure for social purposes. Likewise, CSR costs are not subject to VAT because CSR is not a taxable delivery of goods or services. VAT is imposed on commercial transactions involving the sale of goods or services carried out to make a profit. While CSR is a company's expenditure for social purposes and not a commercial transaction, TJSL cannot be subject to VAT. In Indonesia, both public and non-public companies are required to implement TJSL in accordance with regulations such as Law No. 40 of 2007 concerning Limited Liability Companies and other regulations governing the implementation of CSR.

In this regulation, CSR is recognized as a company obligation, but is not regulated as a source of income. In addition, in the context of tax, CSR costs often cannot be used as objects of VAT tax, because they do not meet the criteria as a taxable delivery of goods or services. In terms of propriety and fairness, costs incurred for CSR can be recognized as a tax deduction. This depends on the applicable tax regulations, and the type of expenditure incurred in the TJSL program. But what is important to note is that TJSL costs cannot be classified as income, but rather as a reduction in taxable income (expense). PSAK 1 regulates how expenses should be classified in financial statements. CSR costs are not included in the category of "other expenses" because CSR costs are part of the company's operational activities, especially those related to the company's obligations to run social and environmental programs. In the Statement of Financial Accounting Standards (PSAK) 1, expenses or expenses must be classified and disclosed appropriately to provide accurate and complete information to stakeholders. CSR costs related to social, environmental, and community empowerment activities must be recorded separately and not combined with other costs that are not routine or not directly related to the company's main activities. In addition, it is also clarified in PSAK 57 concerning Provisions, Contingent Liabilities, and Contingent Assets that if a company has mandatory social or environmental obligations, the related costs must be recognized as expenses in the income statement, and cannot be classified as other income or expenses. In this case, CSR costs are included in the obligations that must be recognized as operational expenses. CSR costs are expenses that are directly related to the company's social and environmental responsibilities. This is part of the company's planned and ongoing activities. Therefore, these costs are considered part of operational activities and not as non-routine expenses. In financial statements, CSR costs are usually presented separately, and related disclosures can be made in CALK. If a company prepares a sustainability report, then CSR costs are disclosed in the report as part of the company's commitment to the environment and society. In the income statement, CSR costs are recorded as operational expenses, not other costs, because CSR is considered a routine company expense to carry out its social and environmental obligations.

6 MAIN CHALLENGES FACING COMPANIES IN MANAGING SOCIAL AND ENVIRONMENTAL IMPACT

Companies face different challenges in managing the propriety and fairness of their CSR. By implementing measurable and relevant CSR strategies and engaging stakeholders, both types of companies can increase positive social and environmental impacts and meet the fairness and fairness expectations of their CSR programs. Public companies face greater pressure to implement CSR, as they must meet the expectations of a wider range of stakeholders, including investors and regulators. Public companies are required to provide CSR reports that are integrated with sustainability reporting and must meet standards set by the government. In addition, transparency regarding the use of CSR funds and reporting of their impacts must be carried out in detail and accurately. Companies must ensure that the allocation of CSR funds is carried out with the principle of fairness, namely that funds are used for programs that provide real benefits to society and the environment. In fact, companies often face difficulties in determining the most relevant CSR program priorities.

Currently, what respondents can do is to use more efficient environmentally friendly technology in managing waste, and regular training for employees also helps maintain compliance and awareness of environmental impacts. There are also those who innovate by using more efficient wastewater treatment technology and find new ways to maximize waste utilization. There are also those who apply the latest recycling technology and collaborate with local Micro, Small, and Medium Enterprises (MSMEs) to process waste into useful products, such as alternative feed and organic fertilizer, and optimize social assistance programs by involving the community in the planning and implementation process of projects to ensure a greater positive impact. In addition, there are respondents whose companies apply automatic monitoring technology and increase human resource capacity through continuous training.

7 CONCLUSION

Companies are required to report their CSR activities in a transparent and accountable manner. A quality sustainability report must include adequate information on the social, environmental, and economic impacts of the CSR programs carried out, as well as report performance clearly and responsibly. Transparent and accountable sustainability reports allow companies to demonstrate to stakeholders, including investors, customers, governments, and communities, that the company is responsible for the social, environmental, and economic impacts of its business activities. To evaluate the propriety and fairness of CSR, companies are carried out using financial and non-financial indicators, especially those related to Environmental, Social, and Governance performance).

Companies in all sectors must ensure that their operations meet the requirements of this regulation as part of propriety in CSR which also involves the application of ethical standards that include fairness in the treatment of employees, transparency in the supply chain, and a commitment to sustainable business practices. In all sectors, companies are expected to conduct business ethically and responsibly towards the community and the environment. CSR in all sectors encourages companies to not only focus on profits, but also ensure they contribute to sustainable economic, social, and environmental development. CSR strengthens a company’s relationship with all stakeholders, including customers, employees, suppliers and communities. By listening to and considering the needs and expectations of these stakeholders, companies can better contribute to achieving the SDGs.

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