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### PSAK 57: Comprehensive Assessment of Integrating Green Accounting on Profit Sustainability

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**Abstract** This research aims to evaluate the impact of integrating green accounting practices on sustainable profitability in corporations. Through an empirical analysis approach, this research examines how the implementation of green accounting can influence long-term profitability performance. The research population of companies registered on the IDX, especially the ASSRAT group that implements green accounting, is 40 companies. This research uses a stakeholder theory and legitimacy theory approach. The relationship between stakeholder theory and legitimacy theory provides a strong conceptual foundation to support the implementation of green accounting as a relevant and socially acceptable strategy. The research analysis technique uses multiple regression. by adding company scale control variables. The research results found that environmental disclosure and environmental performance have a significant positive effect on profit sustainability. These findings are proven to be able to provide insight into the importance of integrating green accounting by implementing PSAK 57 as the main driver for companies to integrate sustainable practices in their operations which in the end can have a positive impact on profit sustainability. The implications of these findings can help companies, regulators and other stakeholders to understand the positive impact of environmental responsibility in maintaining profits in the long term.

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## INTRODUCTION

Climate change can have a significant impact on business practices. This impact can involve operational, financial and company reputation aspects. Climate change can cause extreme weather, such as floods, droughts, storms or extreme changes in temperature. These conditions can disrupt the supply of raw materials, production and distribution of products, affecting the supply chain and the company's ability to produce goods or services. Extreme weather or climate change can also cause increased operating costs, such as higher energy costs due to the use of additional cooling or heating (Bracci & Maran, 2013). Given these conditions, companies need to think about how to invest more in climate-resistant infrastructure to

protect company assets. Furthermore, companies exposed to climate risks, such as extreme weather risks or risks related to changes in climate regulations, can face significant financial impacts (Butler et al., 2011). These include higher insurance claim costs, a decrease in asset value, or an increase in the cost of capital due to higher risk. Such conditions will create market uncertainty. Changes in consumption patterns or customer preferences may occur in response to climate issues. Companies need to understand and anticipate these changes to remain relevant in the market (Cohen & Robbins, 2012).

Climate change will have an impact on financial conditions, especially the sustainability of future profits. Profit sustainability is not only about gaining financial benefits, but also creating long-term positive impacts for all stakeholders (Debnath et al., 2011). By striking a balance between economic profit with social responsibility and environmental sustainability, companies can build a strong foundation for long-term growth and sustainability. Maintaining sustainable profits in business has various important implications, both for the sustainability of the company itself and for various stakeholders. For this reason, it is necessary to increase awareness of environmental and sustainability issues among companies and society (Faizah, 2020).

Companies focused on sustainability seek to strike a balance between economic profit, environmental impact and social welfare. In order to achieve balance in business practices, you can use a green accounting approach. Green accounting or green accounting is an accounting approach that includes environmental dimensions in measuring a company's financial performance (Hamidi, 2019). The use of green accounting is expected to provide a more holistic picture of the environmental impact of business activities (Nisa et al., 2020). Environmental performance refers to a company's efforts to reduce its negative impact on the environment, such as carbon emissions, resource use and waste. This is to maintain continuous profit generation that reflects sustainable benefits in the long term, including economic, social and environmental benefits (Stechemesser & Guenther, 2012).

Many stakeholders and investors demand company transparency regarding sustainability and social responsibility practices. Because improving environmental performance can be considered as a strategy to meet these expectations. Apart from that, there are also international regulations and standards, such as the Global Reporting Initiative (GRI), which provide guidelines regarding the disclosure and measurement of environmental performance (Negash, 2012). Companies that comply with these standards can improve their image in the eyes of the public. By engaging in sustainability and green accounting practices, it is hoped that it can provide financial benefits and improve the company's reputation. This statement includes an appeal to environmentally conscious investors and consumers who are increasingly demanding sustainable products and services (Ningsih & Rachmawati, 2017).

Several studies related to green accounting which are reflected in environmental disclosure and environmental performance were carried out by Sulistiawati and Dirgantari (2017); and Santika et al (2023) explained that environmental performance has a positive effect on profitability. Same result also by Asmara and Widiastuty (2023) explains that environmental performance and leverage have a positive effect on accrual earnings management. The same results are also supported by (Putri et al., 2019). Meanwhile Ningtyas and Triyanto (2019); Asjuwita and Agustin (2020); and Damayanti and Widyowati (2022) states that environmental performance has no effect on profitability. Even farther Rahman et al (2023); and Murniati and Sovita (2021) found a negative direction to ROA.

Meanwhile Sulistiawati and Dirgantari (2017) found that environmental disclosure does not affect profitability. On the contrary Ningtyas and Triyanto (2019); and Murniati and Sovita (2021) found that environmental disclosure has a positive effect on profitability. Results opposite by Rahman et al (2023) found that environmental disclosure has a negative influence on profitability (ROA). Whereas Anggina et al (2023); Damayanti and Widyowati (2022); Lestari et al (2019); and Rejeki and Nurlatifah (2024) states that environmental disclosure (carbon emissions) has no impact on profit sustainability.

Wangi and Lestari (2020); Budiono and Dura (2021); Rosaline et al (2020); and Murniati and Sovita (2021) found that overall the implementation of green accounting had an effect on the level of company profitability. The findings are also strengthened by Putri et al (2019) that green accounting has a significant impact on profitability (ROA and ROE), and it is concluded that ROE has a greater impact than ROA

## LITERATURE REVIEW AND HYPOTHESES

This research uses a stakeholder theory and legitimacy theory approach. Stakeholder theory uses a business management approach that emphasizes the importance of understanding and meeting the needs and interests of various interested parties (stakeholders) in the organization. In the context of profit sustainability, stakeholder theory can provide valuable insight into how business decisions and sustainability practices can influence and be influenced by the various parties involved (Scott, 2012).

Stakeholder theory emphasizes the need to identify and understand the various parties related to an organization. In profit sustainability research, researchers can analyze how business decisions related to sustainable profits can affect stakeholders including employees, customers, investors, government, and the general public. (Hadi, 2011). This is supported by Scott (2012) the statement that a company exists not only to meet the needs and welfare of its owners (shareholders) but also to meet the needs and welfare of stakeholders. Because companies must also meet stakeholder needs, companies are not only based on economic motives but also social motives. This was also explained by Hadi (2014) that measuring a company's performance is not only based on economic measurements where managers further improve the company's financial performance in the form of dividends and profits but also by paying attention to the limits of social responsibility. Social responsibility can be interpreted as a long-term investment that can support a company's competitive advantage.

Stakeholder theory emphasizes the importance of organizations considering the interests of various parties, not just shareholders. In the context of profit sustainability, research can explore how decisions that support sustainability may meet or may conflict with the interests of various stakeholders. This theoretical approach also encourages organizations to adopt a collaborative approach and build partnerships with stakeholders. In profit sustainability research, researchers can evaluate how involvement and partnerships with various parties can influence profit sustainability efforts.

In the context of profit sustainability, stakeholder theory can be used to analyze the social and environmental impacts of business decisions. How companies consider and manage these impacts could be the subject of research. Research can explore how stakeholder responses and participation can shape and influence profit sustainability decisions. Do stakeholders respond positively or negatively to the company's sustainability initiatives?.

Stakeholder theory provides a broad conceptual framework for exploring the interactions between a company and its various stakeholders, helping to understand the implications of profit sustainability not only from a financial perspective but also from a social and environmental viewpoint. The legitimacy theory approach in this research is based on the understanding of the social contract implied between social institutions and society (Ahmad & Sulaiman, 2004). This theory is needed by institutions to achieve the goal of being congruent with the wider community. Gray et al (1996:46) in Ahmad and Sulaiman (2004) argue that legitimacy is a company management system that is oriented towards taking sides with society, individual governments and community groups. For this reason, it is a system that prioritizes alignments or community interests. Company operations must be in accordance with the expectations of society.

Deegan et al (2002) stated that legitimacy can be obtained when there is a match between the existence of a company that does not interfere with or is congruent with the existence of the value system that exists in society and the environment. When there is a shift towards nonconformity, then at that time the company's legitimacy can be threatened. Gray et.al (1996) in Hadi, (2011:88) argue that legitimacy implies that a company management system is oriented towards taking sides with society, government, individuals and community groups. For this reason, as a system that prioritizes support for society, company operations must be congruent with society's expectations.

With community support, legitimacy is a strategic factor for companies in order to develop the company in the future. This can be used as a vehicle for constructing company strategy, especially in relation to efforts to position itself in an increasingly advanced society (Hadi, 2011:87). Meanwhile, organizational legitimacy can be seen as something that companies want or seek from society. Thus, legitimacy is a benefit or potential resource for a company to survive /going concern (Nickell & Roberts, 2014).

### **The Effect of Environmental Disclosure on Sustainability Profit**

The influence of environmental disclosure on profit sustainability can be explained through the lenses of stakeholder theory and legitimacy theory. Stakeholder theory emphasizes that environmental disclosure can influence the perceptions and satisfaction of stakeholders, such as consumers, investors and communities. If a company shows commitment and positive actions towards the environment, stakeholders may be more inclined to support the company. Transparent and positive environmental disclosure can shape a company's reputation as a responsible and sustainable entity (Thistlethwaite, 2013). This can increase a company's attractiveness to consumers and investors, potentially supporting long-term growth and profitability.

From the lens of Legitimacy theory, environmental disclosure helps companies maintain social legitimacy, namely the perception that the company operates in accordance with applicable social norms and values. If companies are deemed to comply with environmental standards and contribute to sustainability, this can increase support from society and government. By voluntarily disclosing environmental information, companies can reduce regulatory risks and increase compliance with environmental standards. This can avoid legal and financial penalties that could hurt profitability.

By integrating stakeholder theory and legitimacy theory, environmental disclosure What the company does is expected to create long-term value, minimize reputation risk, and increase sustainable profits through a consistent and measurable sustainability strategy. Study Ningtyas and Triyanto (2019) found that environmental disclosure has a positive effect on profitability. Wangi and Lestari (2020) found that overall the implementation of green accounting had an effect on the level of company profitability. The findings are also strengthened by Putri et al (2019) that green accounting has a significant impact on profitability (ROA and ROE). From this explanation, the following hypothesis can be formulated.

H1: Environmental disclosure has a positive effect on sustainable profits

### **The Influence of Environmental Performance on Sustainability Profit**

Stakeholder theory emphasizes the importance of understanding and meeting the needs and expectations of various parties involved in the company, including the environment. Good environmental performance is directed at meeting stakeholder demands and expectations (Olivia et al., 2022). Through sustainable business practices, companies can build a positive reputation and stakeholder trust. Good environmental performance can be the basis for ensuring that a company is considered responsible by stakeholders, which ultimately supports sustainable profits.

The decisions of stakeholders such as consumers, investors and governments can be influenced by a company's environmental performance. Positive decisions from these stakeholders can increase sustainable profits through support, investment and consumer preferences. Sustainable business practices in the environmental field can help manage conflicts with communities and prevent resistance to company operations. Better public acceptance can contribute to sustainable profits (Meiyana & Aisyah, 2019).

From the lens of legitimacy theory, it states that companies need to be recognized and accepted by society to be able to operate sustainably. Good environmental performance can provide additional legitimacy to a company in the eyes of society. Community acceptance and legitimacy can support sustainable profits by creating a conducive environment for business operations. Companies that are considered legitimate and viable have a greater chance of achieving financial sustainability. Sustainable practices can help companies manage risks and avoid conflict with society. By maintaining legitimacy, companies can focus on creating sustainable profits. Governments often provide legitimacy and support to companies that comply with environmental policies. This can lead to incentives, policy support, and a regulatory environment that can build credibility and public trust. which supports sustainable profits. By integrating stakeholder theory and legitimacy theory, companies can build a strong foundation for sustainable profits by creating long-term value related to environmental responsibility and societal acceptance.

Research by Sulistiawati and Dirgantari (2017); and Rahman et al (2023) explained that environmental performance has a positive effect on profitability. The same results were also obtained by

Asmara and Widiastuty (2023); and Putri et al (2019) found that environmental performance has a positive effect on accrual earnings management. From this explanation, the following hypothesis can be formulated.

H2: Environmental performance has a positive effect on Sustainability Profit

## **METHODS**

The population of this research are companies included in the Asia Sustainability Reporting Rating (ASSRAT) group listed on the Indonesia Stock Exchange in 2019-2022. The selected sample was 40 companies based on the purposive sample method with the criteria (1) Publishing an annual report and sustainability report during 2019-2022; (2) Companies participating in Proper during 2019-2022; and (3) Have complete data related to the variables used in the research.

The independent variables in this research are Environmental Disclosure and Environmental Performance. Meanwhile the dependent variable is Sustainability Profit. The data used in this research uses secondary data where the document information is obtained from the annual report and sustainability report of the ASSRAT group of companies.

Environmental disclosure is the disclosure of information related to environmental management activities by a company in the past, present and future Lako (2018); Sahputra et al, (2020); and Al-Tuwaijri et al (2004). Several environmental aspects that must be disclosed in the annual report have been recommended by the Global Reporting Initiative (GRI). There are 30 items recommended by GRI and consist of 9 main aspects where the nine aspects are: materials, energy, water, biodiversity, emissions and waste, products and services, compliance with regulations, transportation, and overall costs incurred to maintain sustainability environment. The measurement of environmental disclosure variables in this research uses the environmental score recommended by GRI in its sustainability report.

Environmental Performance is the positive or negative impact of organizational activities on the environment. This includes aspects such as use of natural resources, greenhouse gas emissions, waste management, and sustainable practices. The environmental performance assessment specified in PROPER includes (2019 proper report), namely (1) Environmental management summary document; (2) Environmental management system; (3) resource utilization including energy efficiency, reducing emissions and greenhouse gases, water efficiency, reducing and utilizing B3 waste, 3R waste and biodiversity; and (4) Community development. Furthermore, environmental performance is measured by the company's achievements following the PROPER program (Company Performance Rating Assessment Program in Environmental Management) which is one of the efforts made by the Ministry of the Environment (KLH) to encourage company structuring in environmental management through information instruments. The environmental performance uses the Proper performance system ranking, namely (1) Gold; (2) Green; (3) Blue; (4) Red; and (5) Black.

Sustainability Profit is a profit that can reflect the continuation of profits (sustainable earnings) in the future, which is determined by the accrual and cash components, and can reflect the company's actual financial performance. The profits obtained take into account financial profits towards a more holistic approach, taking into account social and environmental impacts. The measurement of Sustainability Profit uses profit persistence, namely using a measure of changes in total accruals. Quality profits are profits that have small changes in total accruals. This measurement assumes that changes in total accruals are caused by changes in discretionary accruals. Estimated discretionary accruals can be measured directly to determine earnings quality.

## **RESULTS AND DISCUSSION**

This descriptive statistics is carried out to describe research data in the form of a tabulation of the characteristics of each research variable which includes the lowest value, highest value, average (mean) and standard deviation as shown in table 1 below.

**Table 1. Descriptive Statistics**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std.Deviation</b>
<i>Sustainability Profit</i> (Earning Persistence)	40	0,132	0,189	0,0971	0,044118
Environmental Disclosure	40	12,17	17,86	15,5097	8,11215
Environmental Performance (Proper)	40	2	5	3,5	1,734
Firm Size	40	28,39	30,93	29,8783	0,71012
Valid N (listwise)	40				

**Source: processed secondary data, 2024**

Table 1 shows the mean, median, maximum, minimum and standard deviation values of each environmental disclosure and environmental performance variable, and sustainability profit/has a standard deviation value lower than the mean value. This condition indicates that the data is more concentrated, meaning it has a higher level of confidence in estimating where most of the values are. The mean value of earning persistence is 0.0971, indicating that the company has relatively low variations or fluctuations in profits from one period to the next, meaning that the accuracy of current profits can be used as an indicator that the next profit will have low fluctuations, so that the quality of profits obtained in the ASSRAT group of companies is better. The mean score for environmental disclosure is 15.5097, this illustrates the high performance of the ASSRAT group of companies in terms of the environment, meaning that the entity has better awareness of protecting the environment in the long term. Mean environmental performance of 3.5 depicts a company in the blue to green position, meaning that it has made environmental management efforts that meet the requirements in accordance with the applicable provisions of the Ministry of Environment and Forestry. However, this action is starting to lead to environmental management that is better than the requirements and already has: biodiversity, environmental management system, 3R solid waste, 3R B3 waste, conservation, reducing the burden of water pollution, reducing emissions, and energy efficiency. Meanwhile, the control variable for firm size shows a relatively high mean value, meaning that the assets owned by ASSRAT group companies are quite large. The existence of large assets is expected to be able to increase profits in a sustainable manner.

Testing the suitability of the model (goodness of fit) can be done in two ways, namely looking at the results of the coefficient of determination (R-square value) and the F test. Table 2 shows the results of the test for the coefficient of determination of the regression model for environmental disclosure research, and environmental performance on sustainable profit. It concludes that the proposed model meets goodness of fit at a significance level of less than 1% (0.000). This shows that the regression model has an explanatory power of 53.82 percent (adjusted R2 = 0.538); while the remaining 46.18% is explained by other factors not included in the regression model.

**Table 2. Coefficient of Determination**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of The Estimate</b>
1	0,772	0,596	0,538	0,070055

**Source: processed secondary data, 2024**

Meanwhile, the F test is used to determine the extent to which the independent variables together are able to explain the dependent variable. The F test results are shown in table 3 below.

**Table 3. F Test**

	<b>Model</b>	<b>F</b>	<b>Sig</b>
1	Regression	3,5823	0,003

**Source: processed secondary data, 2024**

The significance value of F is  $0.003 < 0.01$ , so the regression model can be used to predict the dependent variable, namely the independent variable environmental disclosure research and environmental performance which together have an effect on sustainable profit. The results of the research regression model hypothesis test on the influence of environmental disclosure and environmental performance on profit sustainability appear in table 4 below.

**Table 4. Hypothesis Testing**

	Model	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	Constant	,094	,051	1,825	,079
	Environmental Disclosure	2,011	,015	3,573	,004
	Environmental Performance	3,715	,016	3,617	,002
	Firm Size	3,744	,018	3,614	,001

a. Dependent Variable: *Sustainability Profit*

Source: processed secondary data, 2024

Referring to table 4, the results of multiple linear regression analysis can formulate the following regression equation.

$$SP = 0,094 + 2,011 ED + 3,715 EP + 3,744 FS + e$$

Table 4 shows that environmental disclosure has a positive effect on Sustainability Profit (H1 is proven). This means that transparent and accountable environmental disclosure can increase the trust of various stakeholders. This includes consumers, investors, governments, and the general public. Environmental disclosure practices are directed at meeting the expectations and needs of various stakeholders. This is in accordance with the stakeholder theory approach which emphasizes the importance of understanding and responding to the interests of all relevant parties. Environmental disclosure can help companies comply with applicable environmental standards and regulations. This not only complies with the principles of legitimacy theory but can also reduce legal and reputational risks. Sustainability-oriented investors tend to provide greater support to companies that make good environmental disclosures. This is in accordance with the principles of stakeholder theory and legitimacy theory which highlight the importance of support from external parties. Open and clear environmental disclosures can help reduce a company's reputational risks, especially if business practices or environmental policies are in line with the needs of society and the environment. Good environmental disclosure can provide competitive advantage and differentiation in the market. This is in accordance with stakeholder theory which emphasizes the importance of responding to market needs. Environmental disclosure practices that are integrated with business strategy can bring operational efficiency and in turn contribute to long-term profit sustainability. The substance of the results of this research can provide valuable insight into how effective environmental disclosure can shape and maintain the sustainability of a company's profits. This finding is in line with Iqbal et al (2013); Burhany (2014); and Nor et al (2016) this means that environmental disclosure that is transparent and accountable is proven to create opportunities to increase consumer loyalty and motivate consumer behavior in a sustainable manner, thereby leading to sustainable profits in the long term. This condition shows that the profits obtained by the company are increasing continuously.

Environmental performance has a positive effect on sustainable profits (H2 is proven). This means that companies that focus on environmental performance experience a sustainable increase in profits. This can be reflected in increased profit persistence. Environmental performance practices help companies meet the expectations of stakeholders, including consumers, investors and the general public. This is in accordance with the principles of stakeholder theory which emphasizes the importance of considering the interests of all related parties. Through positive environmental performance practices, companies can build a positive image in the eyes of stakeholders. These findings contribute to company legitimacy and increase consumer and investor confidence. By paying attention to environmental performance, companies can

reduce reputation risks that can arise from actions that are detrimental to the environment. This is consistent with legitimacy theory which highlights the importance of maintaining a company's reputation. Implementation of effective environmental performance practices will lead to steps to improve operational efficiency. This can result in cost savings and increased productivity, ultimately contributing to sustainable profits. Companies that demonstrate good environmental performance can be more flexible in choosing sustainable strategies that support long-term profit sustainability. Furthermore, environmental sustainability can increase a company's competitiveness, especially if consumers increasingly pay attention to sustainable business practices. This is in accordance with the principles of stakeholder theory which emphasizes the importance of understanding and responding to market needs. The substance of the results of this research can provide important insights for business practitioners, decision makers and researchers to better understand how environmental performance can be a driver of sustainable company profits. This finding is in line with Sulistiawati and Dirgantari (2017); and Rahman et al (2023) explained that environmental performance has a positive effect on profitability. Same result also by Asmara and Widiastuty (2023); and Putri et al (2019) suggests that environmental performance has a positive effect on accrual earnings management.

## **CONCLUSION**

Environmental disclosure has a positive effect on sustainable profits. This research finds that a higher level of environmental disclosure has a significant impact on increasing the sustainability of profits of ASSRAT group companies. This illustrates that environmental disclosure is considered an important instrument in strengthening the company's sustainability dimensions, which in turn can positively influence sustainability profits. The same findings also show that environmental performance has a positive effect on profit sustainability, meaning that the ASSRAT group of companies is able to achieve good environmental performance, thereby increasing profit sustainability. Good environmental performance can improve a company's image, increase consumer confidence, and ultimately contribute to long-term profit sustainability.

These findings prove that PSAK 57 is able to encourage companies to present information regarding environmental performance including concrete steps to reduce negative impacts, such as reducing emissions, efficient use of resources, and other efforts in sustainable practices. PSAK 57 has been proven to be able to motivate companies to develop better sustainable strategies, as well as make more sustainable investment decisions, so that companies are able to increase operational efficiency and identify new opportunities in accordance with sustainability principles. The existence of PSAK 57 can be interpreted as the main driver for companies to integrate sustainable practices into their operations, which in the end can have a positive impact on profit sustainability.

This research has limitations, including (1) limitations in generalizing the results due to the use of a limited sample group; (2) Research only has limited ability to explain the model at 53.82 percent; (3) Limitations in data availability or data quality used to measure environmental disclosure and environmental performance; (4) Studies limited to a specific time span may not be able to capture long-term changes or effects over time; (5) Limitations in taking into account moderating factors that might influence the relationship between environmental disclosure, environmental performance and profit sustainability. Limitations in the generalizability of findings to specific industries or geographic contexts; and (6) The research results show that the number of companies included in the ASSRAT group is still limited, so future researchers need to develop other company groups such as groups of companies based on Sharia Indexes such as the Indonesia Sharia Stock Index (ISSI). General limitations of observational research, such as the risk of confounding variables that are not fully controlled.

Through this research, it is hoped that companies will need to expand environmental maintenance activities followed by a wider scope of environmental disclosure and improve environmental performance. Next, future researchers need to focus on sector-specific analysis to understand how environmental disclosure and performance affect profit sustainability in certain industrial sectors. Researchers need to add external factors such as changes in environmental regulations, pressure from stakeholders, and market

trends on the impact of environmental disclosure and performance. Future researchers also need to conduct comparative studies of the impact of environmental disclosure and environmental performance in different industry groups and countries to determine significant differences and their determining factors. Comparative studies also need to be expanded to groups of small companies and large companies, because there are indications that small companies tend to look for variety and visibility to access better resources and intensive monitoring of stakeholders can produce much higher profits (Lin et al., 2019). Furthermore, researchers also need to review the impact of environmental disclosure and environmental performance in the context of GCG (Good Corporate Governance) and corporate social responsibility. Future researchers also need to develop environmentally friendly investment innovation variables with the hope of increasing long-term profit sustainability.

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