

How does corporate governance influence the corporate SDG reporting?

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ABSTRACT

This research examines corporate governance in relation reporting of Sustainable Development Goals (SDGs), with institutional ownership as a moderating variable. The sample for this empirical research comprises 71 manufacturing companies listed on the Indonesia Stock Exchange for over seven year period from 2017 to 2023, resulting in 497 observations. In addition, this research uses a content analysis method to obtain the extent of SDG reporting. The findings show that female directors and audit committees influence SDG reporting. Institutional ownership moderates the relationship between independent commissioners and SDG reporting. However, institutional ownership does not moderate the relationships between the board of commissioners, female directors, as well as audit committees and corporate SDG reporting. SDG disclosure in corporate reporting is essential for communicating and monitoring sustainable development and corporate sustainability. Furthermore, SDG disclosure helps mitigate agency problems by communicating the outcomes of SDG implementation.

Introduction

Corporate governance (CG) is essential in supporting the Sustainable Development Goals (SDGs), which have become increasingly important in corporate strategy (Silva, 2021). PwC (2019) report that 22% of the 1,141 large companies surveyed disclosed information related to the SDGs. Government of Indonesia has issued "Presidential Regulation No. 59 of 2017 concerning the Implementation of the Achievement of Sustainable Development Goals" (BAPPENAS, 2017). Disclosure of the SDGs in corporate reporting is a form of social responsibility (Elalfy et al., 2021).

This research is motivated by the fact that the manufacturing sector plays a major role in preserving the natural and social environment, despite the impacts of business activities. Manufacturing companies can contribute to environmental and social responsibility through various programs, including Corporate Social Responsibility (CSR) program, thereby promoting a cleaner and healthier environment. Research by Chien (2022) in Malaysia indicates the need for support for CG to align CSR programs with the SDGs across the logistics sector, including manufacturing. Therefore, it highlights the need for businesses, including manufacturing companies in Indonesia, to pay greater attention to their environmental impacts in order to support the achievement of the SDGs (Surifah & Krismiaji, 2025).

Empirical research in economics, especially in accounting, is needed to better understand corporate involvement in sustainable development and the SDGs. Accounting research on SDG reporting has the potential to provide broader insights than those offered by other scientific disciplines (Bebbington & Unerman, 2020). Previous research on SDG reporting includes various approaches and contexts, such as a structured literature review (Awuah et al., 2024), qualitative methods (Erin & Bamigboye, 2022), the hospital industry (Ferrero-Ferrero et al., 2024), other industrial sectors (Lodhia, 2025), regional-owned enterprises (Muskanan et al., 2025), and universities (De Villiers et al., 2025). Kuswanto et al. (2022) conducted a comparative study of SDG implementation in private and state-owned companies in Indonesia from 2016 to 2020, using legitimacy and institutional theories. Surifah and Krismiaji (2025) examined the achievement of SDGs by companies listed on the Indonesia Stock Exchange from 2017 to 2021, including manufacturing companies, applying stakeholder and stewardship theories. However, all the above-mentioned research remains limited to the Indonesian manufacturing sector and use agency theory. Meanwhile, manufactured products still dominate Indonesia's national export performance (Directorate General of National Export Development, 2021). Moreover, the manufacturing sector plays a crucial role in absorbing labor, thereby driving national economic development and improving community welfare (Kementerian PPN/BAPPENAS, 2021).

CG mechanism also emphasizes the importance of sustainable development, as the adoption of SDG disclosures in corporate reporting reflects the effective implementation of CG practices. Based on the agency theory, a complementary relationship exists when implementing CG by strengthening supervision and optimizing corporate sustainability (Shleifer & Vishny, 1997). Effective monitoring leads to the detection and evaluation of corporate reporting, especially those related to sustainable development (Dosinta et al., 2022). Accordingly, CG optimizes supervision through corporate reporting, including publicly listed companies.

The results of research by Megawati and Pratama (2024) on SDG reporting in Indonesia's public companies from 2016 to 2018 did not investigate the role of CG. Previous research indicate an increase in SDG reporting since 2017 (García-Sánchez et al., 2020; Rosati & Faria, 2019a). Sustainability performance as a contribution to achieving the SDGs has become an emerging focus in corporate management, however SDG reporting has not yet become a primary concern for companies (Subramaniam et al., 2023). Regulations on institutional ownership will enhance the effective use of agency costs (Jensen & Meckling, 1976). Results of previous research conducted by Giordino et al. (2024) state that institutional ownership has a positive effect on corporate SDG reporting. This research answers the existing research gap by examining the role of institutional ownership in manufacturing companies in Indonesia from 2017 to 2023, using agency theory as its theoretical foundation.

This research is important for Indonesia as a developing country and for other countries where SDG reporting practices have not yet been optimized. From the perspective of sustainability accounting, this research aims to examine the influence of CG on SDG reporting with institutional ownership serving as a moderating variable. This research contributes to accounting literature by providing empirical evidence that extends agency theory and provides deeper insights into the roles of the board of commissioners, independent commissioners, female directors, institutional ownership, and SDG reporting. Meanwhile, from a practical perspective, this research offers valuable information for decision-makers. First, capital market regulators may have gain a better understanding of how to formulate policies related to institutional ownership. Second, the findings can assist potential investors in evaluating company performance and characteristics, including through the CG indicators. Third, company management can better recognize the critical role of GCG characteristics in improving company sustainability. Ultimately, community welfare will increase resulting from improved SDG reporting.

The next sections of this research include the literature review, hypothesis development, research methods, and panel data regression analysis. Subsequently, the results and discussion section will discuss the empirical evidence related to agency theory and previous research. The final section concludes the research results and outlines the implications.

Literature Review

Agency Theory

This research employs agency theory because the achievement the SDGs, as reflected through corporate reporting, involves the relationship between principals and agents. Agency theory states that when a principal hires an agent to carry out a service and exercise authority, the principal hopes that the agent will make decisions that are profitable for the company. Agency theory assumes that managers may not always seek to maximize shareholder wealth but prioritize their interests instead (Jensen & Meckling, 1976). Agency theory emphasizes that it is essential for shareholders to delegate decision-making authority to managers who have expertise and superior knowledge about running the business (Boachie, 2023).

Corporate financial challenges arising from principal-agent conflicts can be identified through corporate reporting. Based on agency theory, managers prioritize their interests because of their access to superior information (Jensen & Meckling, 1976). Agency theory states that Good Corporate Governance (GCG) can minimize agency costs to achieve financial prosperity (Kyere & Ausloos, 2021). CG is needed to overcome corporate financial problems (Bui & Krajcsák, 2024) and improve supervisory function through a system of checks and balances (Arslan & Alqatan, 2020). Agency theory states that implementing CG is an effort to fulfill stakeholders' needs and to encourage companies to engage in sustainability reporting, which helps create a positive relationship between the company and stakeholders (Chairina & Tjahjadi, 2023). By doing so, companies will gain a positive image and public legitimacy. Previous research Inekwe et al. (2021) emphasizes that the implementation of CG strengthens sustainability disclosures. Agency problem can be detrimental to all company activities that will impact the sustainability disclosure (Hussaini et al., 2021), including SDG reporting.

Board of Commissioners and Corporate SDG Reporting

Agency theory states that when a principal hires an agent to carry out a service and exercise authority, agents can make decisions that provide added value to the company. Agency theory explains that the Board of Commissioners (BOC) has an essential role in implementing GCG effectively to achieve company sustainability, which is reflected in the effectiveness of the BOC. The company will have a diversity of views and ideas to create better strategies

with a larger size of the BOC (Berraies & Rejeb, 2019). The size of the board of commissioners has a positive effect on sustainability reporting (Chams & García-Bland, 2019) and SDG reporting (Buniamin et al., 2022). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₁: Board of commissioners influences corporate SDG reporting.

Independent Commissioners and Corporate SDG Reporting

Agency theory explains that information asymmetry inherently exists in organizations because managers have more information than shareholders. Two possible mechanisms that can reduce agency problems, asymmetric information, and agency costs are board oversight and transparency through disclosure. An independent board of commissioners is needed to provide tighter supervision of management and to encourage information disclosure. If the commissioner is independent, the company's decisions will be more neutral. Previous research also proves that an independent board positively affects corporate sustainability (Pham & Ho, 2024). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₂: Independent commissioner influences corporate SDG reporting.

Female Director and Corporate SDG Reporting

Based on agency theory, corporate governance that involves gender diversity and professional knowledge on the board, including directors, can reduce agency problems and lead to effective corporate monitoring and decision-making (Eisenhardt, 1989). In Indonesia's two-tier corporate governance system, if activities related to the SDGs, especially those related to gender equality, cannot be the main priority of the board of commissioners, then responsibility for gender equality lies entirely with the company's board of directors (Faisal et al., 2024). Female directors can bring new initiatives and ideas, provide professional knowledge, and demonstrate effective leadership, thereby reducing agency costs (Girindratama et al., 2024; Kim & Starks, 2016). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₃: Female director influences corporate SDG reporting.

Audit Committee and Corporate SDGs Reporting

As a supporting body, the audit committee is formed by the BOC, whose task is to assist the BOC in carrying out its supervisory duties over the company's activities. The audit committee should ensure the integrity of financial reporting by continuously monitoring and providing control (Fama & Jensen, 1983). The audit committee's effectiveness can be used as a tool to monitor decisions, especially those related to social responsibility and corporate sustainability, which are reflected in corporate reporting (Habbash, 2016). Increasing the size of the audit committee can enhance the supervision of corporate reporting (Syofyan et al., 2021). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₄: Audit committee influences corporate SDG reporting.

Institutional Ownership and Corporate SDG Reporting

Agency theory states that managers are required to submit sustainability reports to demonstrate management accountability to stakeholders to reduce conflicts of interest between agents and principals. CG cannot be separated from the role of stakeholders; therefore, company prioritizes stakeholders interests to maintain long-term sustainability (Dosinta & Yunita, 2024). CG policies can be used to assess SDG reporting (Correa-Mejía et al., 2024). Previous research shows that CG (Lee et al., 2023) and SDG (Loang, 2023) impact company performance.

Institutional ownership is an alternative to reduce agency conflicts through supervision of management, which can affect a company's financial performance and sustainability (Yendrawati & Kinanti, 2024). Results of previous research conducted by Giordino et al. (2024) state that institutional ownership has a positive effect on corporate SDG reporting. A large proportion of institutional ownership can strengthen investor control and supervision of management, thus encouraging comprehensive sustainability reporting (Blay et al., 2024). Transparency is essential and can be achieved by disclosing information on actions taken by a company in economic, environmental, social aspects, (Maidani et al., 2020) including SDG reporting.

The BOC, the commissioner independent, and the audit committee are part of the corporate governance mechanism in a company's supervisory structure (Ditta & Setiawan, 2019). The BOC is important for improving performance operations in banking companies and in implementing GCG (Lutfi et al., 2014). Agency theory states that the implementation of GCG is an effort to fulfill stakeholder needs; therefore, companies need to carry out SDG reporting to establish a positive relationship between the companies and the stakeholders. The greater the number of BOC members, the more optimum the monitoring process. making it easier to realize GCG. The board of commissioners' concern for the environment and society is reflected in corporate reporting, which supports the continuity of its sustainability (Rahayu & Djuminah, 2022). Institutional ownership plays a major role in governance

by monitoring managers' behavior and encouraging more careful decision-making (Shleifer & Vishny, 1997). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₅: Institutional ownership strengthens the influence of the board of commissioner on corporate SDG reporting.

Independent commissioners have no financial, managerial, share ownership, family, or other relationships with commissioners, board members, and controlling shareholders that can influence their ability to act independently (Zulfikar et al., 2017). Independent commissioners are expected to act as more objective and neutral supervisors, ensuring that managerial decisions align with shareholders' interests, who are increasingly demanding transparency in addressing global challenges in carbon emissions management (Wahyuningrum et al., 2025). Therefore, to reduce information asymmetry, independent commissioners can encourage management to disclose information on carbon emissions and the SDGs (Hassan & Lahyani, 2020). For long-term institutional investors, increasing their shareholdings in financially distressed companies aims to ensure that the companies in which they invest meet higher governance and other standards (Krismiaji & Raharja, 2018). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₆: Institutional ownership strengthens the influence of independent commissioner on corporate SDG reporting.

Literature studies by Hindasah and Harsono (2021) highlight the relationship between CG and company performance, including gender diversity, which is considered a strategic factor in influencing corporate governance practices and corporate reporting. Gender diversity on boards of directors can strengthen corporate governance. However, its effectiveness depends on the active and proportional roles of female directors within the ownership structure for decision-making. Research by Rosati and Faria (2019b) shows that early SDG advocates, particularly in 2016, typically had boards with a higher proportion of female directors. Research by Mehadi and Mazumder (2025) and Zamponi et al. (2024) shows that more gender-diverse boards of directors have a positive impact on SDG disclosure, whereas another study by Arena et al. (2023) shows that gender diversity does not affect SDG reporting. In line with agency theory and previous research, the hypothesis is formulated as follows.

H₇: Institutional ownership strengthens the influence of female director on corporate SDG reporting.

Companies in developing countries can use audit committees as a monitoring mechanism to alleviate agency problems (Zhou et al., 2018). The audit committee is one of the main pillars in the CG mechanism that plays a role in effective monitoring and control and can ensure financial reporting integrity (Fama & Jensen, 1983). Institutional investors who engage in monitoring can motivate managers to focus more on company performance (Krismiaji & Raharja, 2018). In line with agency theory and previous research, the hypothesis is formulated as follows.

H₈: Institutional ownership strengthens the influence of audit committee on corporate SDG reporting

Research Methods

The population used in this research comprises manufacturing companies in Indonesia registered in the Indonesian Stock Exchange as of 2017. The sample was collected using a purposive sampling technique based on specific criteria (Sekaran & Bougie, 2016), namely manufacturing companies that published their complete annual reports during 2017-2023. This research uses 71 manufacturing companies in a moderated regression analysis.

The dependent variable analyzed is SDG disclosure. This research measures SDG disclosure using content analysis across 17 goals. For codification, a value of 1 is assigned if companies disclose information on the specified items; and a value of 0 indicates non-disclosure. The ratio used to measure SDG disclosure is calculated by dividing the number of disclosed items by the maximum possible number of disclosures, as conducted by Sekarlangit and Wardhani (2021).

To address the reliability limitations of content analysis, especially coding subjectivity, the data were collected and coded twice, following the approach of Gunawan et al. (2020). The results of the two coding rounds were then compared and any discrepancies were further discussed to reach an agreement.

The independent variables in this study are the board of commissioners, independent commissioners, female directors, and audit committee. The size of the board of commissioners (BOC) is the total number of commissioners in the company, following the measurement approach used by Chong et al. (2018). The proportion of independent commissioners (IND) is measured by dividing the number of independent commissioners by the total number of board of commissioners' members, expressed as a percentage (Huang & Kang, 2017). For female directors (FED), a value of 1 is given if the company has at least one female director; otherwise, the value is zero (Mumtaz et al., 2021). The audit committee (AUC) measurement in this research is in line with previous research (Elfeky, 2017; Huang & Kang, 2017) by using the total number of audit committee members in each company. Institutional ownership (INS) is measured as the proportion of share ownership by institutional investors, expressed as a percentage of total shares outstanding, following Nuhu and Alam (2024). This research uses a control variable,

namely company size (SIZE) as used in prior studies (Zampone et al., 2023, 2024; Zampone & Guidi, 2024). Company size is proxied by the natural logarithm of company assets, as it is more stable than market capitalization and net sales (Duong et al., 2016).

The stages of analysis consist of testing for multicollinearity at first, then determining the estimation model, and finally, testing the hypotheses. This research uses a panel data regression approach, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Chow test is used to choose between the CEM and FEM as the best model, while the Hausman test is to choose between FEM and REM. Lagrange testing is not performed if FEM is selected as the best model based on Chow and Hausman tests. The analysis models used in this research are as follows:

$$\text{Model 1: } \text{SDG}_{i,t} = \alpha + \beta_1 \text{BOC}_{i,t} + \beta_2 \text{IND}_{i,t} + \beta_3 \text{FED}_{i,t} + \beta_4 \text{AUC}_{i,t} + \beta_5 \text{SIZE}_{i,t} + e_{i,t}$$

$$\text{Model 2: } \text{SDG}_{i,t} = \alpha + \beta_1 \text{BOC}_{i,t} + \beta_2 \text{IND}_{i,t} + \beta_3 \text{FED}_{i,t} + \beta_4 \text{AUC}_{i,t} + \beta_5 \text{INS}_{i,t} + \beta_6 \text{BOC}_{i,t} * \text{INS}_{i,t} + \beta_7 \text{IND}_{i,t} * \text{INS}_{i,t} + \beta_8 \text{FED}_{i,t} * \text{INS}_{i,t} + \beta_9 \text{AUC}_{i,t} * \text{INS}_{i,t} + \beta_{10} \text{SIZE}_{i,t} + e_{i,t}$$

Results and Discussion

Table 1 presents the descriptive statistics for each variable used in this research. The maximum value for SDG disclosure is 94% (0.94), which is consistent with the findings reported by Megawati and Pratama (2024) for public companies. However, the minimum value in their research 0 (zero), whereas in this research it is 0.05. Meanwhile, the institutional ownership variable ranges from 0.06 to 0.99.

Table 1. Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev	Observations
SDG	0.353561	0.400000	0.940000	0.050000	0.193825	497
BOC	4.227364	4.000000	11.000000	2.000000	1.826832	497
IND	0.414195	0.400000	0.500000	0.330000	0.065871	497
FED	0.376258	0.000000	1.000000	0.000000	0.484934	497
AUC	0.370221	3.000000	5.000000	3.000000	0.665812	497
INS	0.691348	0.750000	0.990000	0.060000	0.191628	497
SIZE	25.533224	24.21000	33.73062	22.15000	3.431838	497

Based on Table 2, the results show that there are no symptoms of multicollinearity. Table 2 presents the findings of the multicollinearity test in the regression model. The correlation matrix between variables shows that the cut-off value for correlation coefficients are below 0.7, across all the variables including SDG, BOC, IND, FED, AUC, and SIZE, which means that the regression model is free from multicollinearity (Sekaran & Bougie, 2016). The model results are more reliable and interpretable because the independent variables are free from interconnections.

Table 2. Results of Multicollinearity Test

	SDG	BOC	IND	FED	AUC	SIZE
SDG	1					
BOC	0.022192	1				
IND	0.031965	0.056478	1			
FED	0.056500	-0.017108	0.120584	1		
AUC	-0.069291	-0.031220	0.038067	-0.032666	1	
SIZE	0.291126	0.302570	0.023749	-0.001530	0.082237	1

Table 3 demonstrates that the cross-section probability and Chi-Square values from the Chow test are less than 0.05 (0.0000). Hence, FEM is a more appropriate model compared to CEM based on the Chow Test. Moreover, the cross-section random probability from the Hausman test also shows a value of less than 0.05 (0.0000) indicating that FEM is the best model (Wooldridge, 2016).

Table 3. Results of Model Selection

	Type of Test	Prob.	The Right Model
Model 1	Chow Test (cross-section F-test)	0.0000	Fixed Effect Model
	Hausman Test (cross-section random)	0.0000	Fixed Effect Model
Model 2	Chow Test (cross-section F-test)	0.0000	Fixed Effect Model
	Hausman Test (cross-section random)	0.0000	Fixed Effect Model

Based on Table 4, the test results for the board of commissioners variable in the multiple linear regression analysis have a p-value of 0.1818, which is greater than α ($=0.05$), indicating that the board of commissioners does not influence SDG reporting. Thus, the first hypothesis is not supported. Hussain et al. (2018) revealed that a smaller size of the BOC increases the workload of each member of the BOC which may result in a decrease in the quality of supervision. The results of this research do not support previous research (Buniamin et al., 2022; Surifah & Krismiaji, 2025) that found that commissioners significantly influence SDG reporting. Similarly, the results of the multiple linear regression analysis for the independent commissioner variable show a p-value of 0.3163, which is greater than α ($=0.05$), indicating that independent commissioners do not influence SDG reporting. Thus, the second hypothesis is not supported. These findings do not support previous research by Pham and Ho (2024), which also proves that the independent board positively affects corporate sustainability.

The test results for the female director variable show a p-value of 0.0140, which is less than α ($=0.05$), indicating that female directors have a significant influence on SDG reporting. Thus, the third hypothesis is supported. The results of this research do not support previous research that found female directors have no influence on SDG reporting (Sekarlangit & Wardhani, 2021). Furthermore, the test results for the audit committee variable demonstrate a p-value of 0.0101, which is less than α ($=0.05$), suggesting that audit committee influences SDG reporting. Thus, the fourth hypothesis is supported. The presence of an audit committee ensures an effective oversight of corporate reporting, including SDG reporting, as an effort to maintain company sustainability.

The regression results for Model 1 are presented in Table 4. The model significance test (F-test) reported in Table 4 shows a probability value of $0.000 < \alpha$ ($=0.05$), suggesting that Model 1 is suitable for making predictions. The coefficient of determination (R^2) describes the proportion of variation in the dependent variable explained by the independent variable. The Adjusted R-Squared value is 0.451589 (45.1589%), which means that SDG reporting variable can be explained by 45.1589% of the independent variables in the model, while the remaining variation is explained by other factors outside the model.

Table 4. Regression Results for Model 1

Variable	Coeff	t-Stat	Prob.	Information
C	-3.095278	-2.696411	0.0073	
BOC	0.218747	1.337526	0.1818	H ₁ not supported
IND	2.179365	1.003296	0.3163	H ₂ not supported
FED	0.082657	2.466386	0.0140**	H ₃ supported
AUC	0.101806	2.584875	0.0101**	H ₄ supported
SIZE	0.048849	13.12184	0.0000*	
Adjusted R-Squared			0.451589	
Sig. F			0.000000	

*) 1% or 0.01; **) 5% or 0.05; ***) 10% or 0.1

The regression results for model 2 are presented in Table 5. The model significance test (F-test) results in Table 5 show a probability value of $0.000 < \alpha$ ($=5\%$). Thus, Model 2 is suitable for making predictions. The Adjusted R-squared value is 0.454255 (45.4255%), meaning that the SDG reporting variable can be explained by 45.4255% of the independent variables in the model, while the remaining variation is explained by other factors outside the model.

Based on Table 5, the results of testing the interaction between institutional ownership and the board of commissioners on SDG reporting show a p-value of 0.0230, which is smaller than α ($=0.05$), but the effect is negative. Consequently, the fifth hypothesis is not supported. The increase in ownership by some institutional investors may be related to their expectations regarding the long-term growth potential of the companies in which they invest (Krismiaji & Raharja, 2018). The board of commissioners should further improve its attention to institutional ownership to optimize SDG reporting.

Then, the results of testing the interaction between institutional ownership and independent commissioners on SDG reporting show a p-value of 0.0657 and a significance level of 10%. Thus, the sixth hypothesis is supported. Institutional ownership strengthens the influence of the independent commissioner on SDG reporting. The research results are consistent with agency theory, which states that institutional ownership can reduce agency conflict through the supervisory role of independent commissioners, as institutional ownership reflects the presence of external institutions holding shares in the company. Institutional shareholders have the opportunity, resources, and expertise to evaluate managerial performance and actions, including SDG reporting. A large proportion of institutional ownership can enhance investor control and supervision of management related to SDG reporting (Giordino et al., 2024). In addition, effective decision-making and corporate governance processes can be achieved with a larger number of board of commissioners that offers diverse perspectives and expertise (Sari & Fitriani, 2024). The results show that corporate institutional factors are associated with the level of SDG integration into SDG reporting (García-Sánchez et al., 2022).

Table 5. Regression Results for Model 2

Variable	Coeff	t-Stat	Prob.	Information
C	1.576557	0.390490	0.6964	
BOC	1.679704	2.573573	0.0104	
IND	-32.10895	-1.711268	0.0878	
FED	0.130885	1.461219	0.1447	
AUC	0.098135	0.964700	0.3353	
INS	-4.056168	-1.068647	0.2858	
Interaction BOCxINS	-1.660328	-2.281150	0.0230	H ₅ not supported
Interaction INDxINS	38.22047	1.845203	0.0657***	H ₆ supported
Interaction FEDxINS	-0.182315	-0.605912	0.5449	H ₇ not supported
Interaction AUCxINS	-0.006875	0.014886	0.9881	H ₈ not supported
SIZE	0.048949	13.13053	0.0000*	
Adjusted R-Squared			0.454255	
Sig F			0.000000	

*) 1% or 0.01; **) 5% or 0.05; ***) 10% or 0.1

The results of testing the significance of individual parameters using the t-test show that the female director variable has a significance value of 0.5449, which is larger than the alpha value of 0.05 and a regression coefficient of -1.182315. This result indicates that female director does not influence SDG reporting, even in the presence of institutional ownership interaction. Thus, the seventh hypothesis is not supported. Even though [Dienes and Velte \(2016\)](#) argue that female directors tend to influence CSR reporting decisions due to differences in knowledge and value orientation, this research shows that female directors do not influence SDG reporting with the presence of institutional ownership interaction.

Furthermore, the results of testing the significance of individual parameters using the t-test show that the audit committee variable has a significance value of 0.9881, greater than alpha value of 0.05 and a regression coefficient of -0.006875. These results show that audit committee does not influence SDG reporting even when institutional ownership is included as an interaction variable. Thus, the eighth hypothesis is not supported. In Indonesia, the majority of ownership is family ownership, so audit committee oversight does not affect corporate SDG reporting, given the presence of institutional ownership controls.

Institutional ownership reflects the awareness of institutional investors who hold corporate shares regarding the importance of SDG reporting. SDG reporting is crucial to ensure management accountability to stakeholders and is expected to reduce conflicts of interest between agents and principals. Corporate governance is a system that includes the principles, values, ethics, and processes used by an organization to manage and control its business activities ([Financial Services Authority, 2014](#)). Companies with good governance are more attractive to investors, thereby increasing company value ([Karamoy & Tulung, 2020](#); [Widarwati et al., 2024](#)), maintaining sustainability and prosperity, and optimizing shareholder wealth ([Parikh et al., 2023](#)). Effective corporate governance can improve a company's financial performance and sustainability ([Lu & Wang, 2021](#)), which shows the positive relationship between corporate governance quality, financial performance, and business sustainability. In addition, companies with good governance have more opportunities to survive in the long term. Companies that are more trusted by investors and lenders will be better prepared to face economic challenges ([Zattoni & Pugliese, 2021](#)).

Companies must incur substantial costs to implement sustainable practices ([Govindan et al., 2021](#)). Company efforts toward sustainability require large initial investments, and the benefits are only visible in the long term. Therefore, when implementing a sustainability strategy to achieve SDGs, companies may experience a decline in financial performance. In addition, some companies overinvest in sustainability activities to cover up financial mismanagement, thereby creating agency costs that can negatively affect company performance ([Karim et al., 2023](#)).

To overcome the challenges faced by global society today, SDGs have emerged as an essential framework. Good company performance and welfare for all individuals are the main focus of the SDGs ([Ramos et al., 2022](#)). SDGs can improve a company's reputation, strengthen stakeholder and investor trust, and generate direct benefits to society ([Shayan et al., 2022](#)). Many companies are adopting the SDGs to achieve competitive advantage and effectively contribute to the SDGs agenda ([Khan et al., 2021](#); [Nicolo' et al., 2024](#)).

The SDGs have a broader scope at the national level compared to the Triple Bottom Line (TBL) framework. While economic, social, and environmental dimensions are fundamental to ensuring corporate sustainability, sustainability efforts are no longer limited to the traditional triple bottom line of People, Planet, and Profit ([Tjahjadi et al., 2021](#)). A sustainable company requires balance in implementing the triple bottom line since its components are interdependent and cannot be separated ([Gupta et al., 2020](#)). The concept of TBL has developed into four SDG

pillars, namely economic, environmental, and social development, which further expanded by the inclusion of legal and governance dimensions.

A company's role in achieving the SDGs also encompasses the five pillars known as the 5Ps: People, Planet, Prosperity, Peace, and Partnership (United Nations, 2015a, 2015b). SDGs are strategic global initiative developed by the Association of Nations to ensure sustainable development through measurable and actionable targets or goals that can be universally applied (Yudawisstra et al., 2022). SDG achievement involves governments and business entities because each of which contributes directly to realizing the global sustainability agenda (Makarenko & Plastun, 2017).

The main factors in developing countries that can hinder the practice of achieving SDGs and ultimately have a negative impact on business sustainability is a lack of top management commitment and employee resistance (Zaid et al., 2018). Sustainability initiatives are often characterized by high capital intensity and long investment horizons that can adversely affect short-term financial performance (Baah & Jin, 2019). Nevertheless, effective implementation of the SDGs can bring great benefits for companies to increase sustainability (Markopoulos & Ramonda, 2022) while creating competitive advantages that positively influence company performance (Khan et al., 2021).

GCG can improve a company's operational efficiency (Achim et al., 2022). CG involves a series of mechanisms, including organizational structure, regulations, procedures, internal supervision, and incentive schemes, that aim to ensure effective management and supervision of business activities (Elston, 2019). Mechanisms of CG must function in an integral manner to improve supervision to realize corporate sustainability and support the government efforts in achieving SDGs (Dosinta et al., 2022; Dosinta & Astarani, 2021). Sustainable development requires systemic support, including impactful changes in institutional frameworks, knowledge systems, and public policies (Hamad et al., 2023). The company's motivation to accelerate sustainable development includes paying more attention to government regulations, especially the preparation of sustainability-oriented corporate reporting (Nugrahani et al., 2023).

Conclusion

The findings show that female directors and audit committees influence SDG reporting. Institutional ownership plays a moderating role in the relationship between independent commissioners and SDG reporting. However, institutional ownership does not moderate the relationship between the BOC, female directors, as well as audit committees and corporate SDG reporting. This research emphasizes the importance of monitoring through corporate governance in improving company's SDG reporting. SDG reporting within corporate disclosures, involving management as the agent and shareholders as the principal, reflects synergistic support for the achievement of the SDGs, sustainable development, and corporate sustainability. SDG reporting in corporate reporting is essential for communicating and monitoring sustainable development and corporate sustainability. Disclosure of SDG-related activities helps mitigate agency problems by transparently communicating the results of SDG implementation.

This research contributes to science accounting by providing empirical evidence to develop agency theory and new in-depth insights into the existence of commissioners, independent commissioners, female directors, institutional ownership, and SDG reporting

The theoretical implications of this research contribute to the sustainable development literature by examining the impact of CG on the SDG reporting. This research provides additional empirical evidence on the role of CG mechanisms and SDG reporting, particularly within manufacturing companies in Indonesia. The practical implications of this research can assist policymakers, regulators, and practitioners in optimizing CG practices to achieve SDGs.

This research also provides insights for investors by considering the importance of CG mechanisms and institutional ownership when reviewing SDG reporting. The policy implications of this research highlight the need for a regulation that encourages the implementation of CG practices and comprehensive SDG reporting. The government can promote sustainable development by formulating supportive company policies and programs, strengthening collaboration with industry associations, and engaging in international cooperation. From a practical perspective, this research provides valuable information for decision-makers. First, capital market regulators can better understand how to formulate policies concerning the role of institutional ownership in corporate governance. Second, potential investors can use the information to assess company performance and governance characteristics since GCG is the determinant. Third, company management can gain a clearer understanding of the critical role of GCG characteristics in improving company sustainability. Ultimately, improved SDG reporting contributes to community welfare through increased transparency and accountability.

One limitation of this research is the lack of data on CG variables, which focuses only on the board of commissioners, independent commissioners, female directors, and audit committees. Future research is encouraged to examine other governance mechanisms, such as corporate sustainability committees in relation to SDG reporting

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