



## Corporate governance and sustainability development goals: A manufacturing company evident

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### Abstract

The purpose of this study is to observe to what extent the involvement of business entities, especially manufacturing companies, in achieving the sustainability development goals (SDGs), by emphasizing the role of the board of commissioners as a corporate governance organ and investors. In this research, CSR is still the focus of observation, however, the observed content is different, and namely the SDGs content that has been carried out by the company and disclosed in the annual report. This study uses secondary data and applies a positivist approach with a regression analysis for hypotheses testing. The independent variables include the characteristic board commissioners, ownership structure and four control variables, and the dependent variable is SDGs disclosure. All data are sourced from the annual report of each corporate web site. SDGs disclosure data is collected by content analysis. Purposive sampling obtains 91 companies and produce 182 observations. The results shows that board size and independent board have a significant positive effect on the disclosure of SDGs as hypothesized. These results explain that there is a role of the board of commissioners as an important organ in corporate governance in achieving the SDGs in manufacturing companies in Indonesia.

**Keywords:** corporate governance, characteristic board commissioners, ownership structure, SDGs

### Introduction

Presidential Decree of the Republic of Indonesia Number 59 of 2017 (PP No. 59/2017) concerning development compliance which reflects the seriousness of the Indonesian government in supporting the realization of the sustainable development goals (SDGs) in 2030. This PP is also a manifestation of Indonesia's commitment as a country that participates in accepting world transformation through the SDGs 2030 agenda ("Transforming Our World: the 2030 Agenda for Sustainable Development Goals (SDGs)" or what is called by the United Nation (UN) 2030 Agenda) on August 2, 2015 (Sumekar & Haryadi, 2016) [37]. The SDGs program, by well, is used as part of a national goals achievements strategy as outlined in the 2015-2019 National Medium Term Development Plan (RPJMN) and 2020-2024 RPJMN. The first five-year period regulates the company's SNI ISO 14001 certified environmental management system (Widyasari *et al.*, 2019) [39], while the second five-year period is the procedure for infrastructure development.

In addition to government commitment, the SDGs achievement requires participation from various parties such as private and public sector organizations including business sectors and professional bodies (Bebbington & Unerman, 2018) [7]. UN Secretary General, Ban Ki Moon stated: "Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results." (SDG Compass). The obligation to implement an environmental management system that is SNI ISO 14001 certified for companies is one of the government's efforts to involve business entities in implementing the SDGs program. Business entities have an important role in achieving SDGs. Caprani's (2016: 103) states that business has a crucial role in achieving transformational global development through its social responsibility.

The role of business entities in achieving the SDGs should not be limited to meeting government regulations, but must be part of the company's strategy by first realizing the importance of the SDGs program for the company. Company stakeholders, both internal and external, who in practice will be the key actors in realizing the program, must also own an understanding of the importance of the SDGs program for companies. If the company and all its stakeholders own this understanding, then they will encourage including the SDGs programs in the company's strategy as is done by the government.

Studies to see how far the involvement of business entities in supporting the achievement of sustainable development can be seen from research on CSR. If we use CSRD to evaluate the achievement of the SDGs, we must look at CSRD with a different focus. CSRD has been seen as a representation of the extent of disclosure or the extent of information using certain indexes (for example, GRI). However, this index was not made specifically to measure the achievement of the SDGs program. The contents of the GRI and SDGs are, of course, two different things. There is GRI content but it is not the focus of the SDGs program, on the other hand there is SDG content that is not yet part of the GRI content. This discussion leads to how we will view CSR in terms of methodology, namely measurement. Here is where academics can also take part in efforts to provide feedback for policy makers (government).

According to Bebbington & Unerman (2017), accounting academics can be involved in the achievement of the SDGs through many activities. Increasing understanding, conveying criticism, and improving accounting policies, theories, and practices are some actions that they mention being able to be performed. They also declare that their paper is the first paper that recommends a research agenda in this field, which is considered relevant to the field of accounting.

SDGs research agenda is needed to be able to provide feedback on the agenda to be completed in the next 15 years. Even though the program has been running for almost four years, studies on SDGs are still very limited. This condition is different with practical condition. In fact, almost all countries involved in the agreement to implement the SDGs agenda have taken the necessary actions. For example, Ohno, Konya, Shiga, Murillo & Charvet (2019) <sup>[30]</sup> suggested that countries in the G20 group take necessary actions related to the achievement of the SDGs program.

### Literature review

It has been four years since the SDGs were passed by the UN at the end of September 2015, action plans have been made, but not many academic documents have been found especially empirical findings. Therefore, to begin empirical research, this study uses the CSR literature as a reference for discussion with considerations that the contents of the SDGs are the soul of CSR activities. Thus, the theoretical basis also follows the CSR literature. Brennan & Merkl-Davies (2013) <sup>[8]</sup> identified seven theories that underlie research on disclosure which are divided into 4 perspectives, namely economics, sociology, psychology and criticism. In the context of SDGs with reference to CSR, the most relevant perspective is sociology. In a sociological perspective, the most relevant theories are stakeholder theory and legitimacy theory, which explaining that incentive of business entity disclose social activities is to get support, economic and social resources. In a business context, the relationship between investors and management cannot be separated from the agency relationship (Jensen & Meckling, 1976) seen from an economic perspective with the motive of maximizing compensation. Based on those arguments, this study uses stakeholder theory and agency theory that underlie the antecedent model. The legitimacy theory is not used because it is more suitable for the consequence model. Agency theory views that CG and investors are a control and monitoring mechanism for management actions. In this theory, management as an agent is assumed to be opportunistic and tends to be selfish at the expense of the interests of the principal. These conditions are caused by information asymmetry that creates moral hazard in the form of adverse selection and risk averse. In turn, the moral hazard will create agency costs. According to Freeman (1984) stakeholder refers to all parties as a group or individual, with an interest in the company, y.i: that they can influence or be influenced by the achievement of company goals. In the view of stakeholder theory, the philosophy of the company's existence lies in its responsibilities. Companies are not entities that operate for their own interests but also provide benefits to stakeholders (such as shareholders, creditors, consumers, suppliers, government, society, analysis and other parties) (Boatright, 1983; Wearing, 2005). The sustainability of the company cannot be separated from the role of stakeholders.

### Effect of board of commissioners size on SDGs disclosure

The board of commissioners is part of the GCG structure whose task to supervise and ensure that the company is well managed by the board of directors (Said *et al.*, 2009) <sup>[35]</sup> in order to increase the company's competitiveness and efficiency (FCGI, 2011) <sup>[17]</sup>. The stakeholder theory perspective explains that stakeholders want a large board

size because it can provide different views and experiences (Aburaya *et al.*, 2012) <sup>[2]</sup>. The large size of the board of commissioners increases the company's ability to understand and address the diversity of stakeholders who want a more diverse and transparent reporting of information, including reporting information related to disclosure of information on the achievement of the SDGs. According to Chang (2010) <sup>[11]</sup>, a large board of commissioners is seen as providing various ways to connect with stakeholders as controlling the resources needed for the company's operational activities. Haji (2013) <sup>[20]</sup> states that a large board of commissioners has different backgrounds, knowledge and ideas in meetings so that corporate social activities can be encouraged. The logic of these theories show that there is a positive relationship between board size and disclosure of social activities and therefore supports SDGs disclosure. This relationship is empirically supported by research by Zaid *et al.*, (2019) <sup>[41]</sup> and Qa'dan & Suwaidan (2019) <sup>[31]</sup> in the context of CSR disclosure. Based on the theory and the empirical support, the hypothesis 1 is formulated as follows:

**H<sub>1</sub>:** The size of the board of commissioners has a positive effect on SDGs disclosure.

### The effect of the independent board of commissioners on SDGs disclosure.

An independent board of commissioners is a member of the board of commissioners who comes from outside the company. Based on the Financial Services Authority Regulation (POJK) No. 33 of 2014, companies are required to have members of the independent board of commissioners of approximately 30 percent of all members of the board of commissioners. The greater the proportion of independent boards of commissioners, monitoring the various interests of shareholders, is expected to be effective. The independent board of commissioners encourages and directs managers towards high transparency (Ahmed *et al.*, 2006) <sup>[3]</sup>. An independent board of commissioners is seen as a check and balance mechanism to ensure companies act in the interests of stakeholders (Khan, 2010) <sup>[24]</sup>. Abdullah *et al.*, (2011) <sup>[1]</sup> show that the independent board of commissioners has a positive impact in supporting company investment into the CSR program and therefore increases the disclosure of SDGs. The results of research conducted by Zaid *et al.* (2019) <sup>[41]</sup> and Sadou *et al.*, (2017) <sup>[34]</sup> provide evidence of a significant positive effect between independent boards of commissioners on CSR disclosure. Based on the theory and empirical evident, the hypothesis 2 is formulated as follows:

**H<sub>2</sub>:** The effect of the independent board of commissioners has a positive effect on SDGs disclosure

### The effect of the women's board of commissioners to SDGs disclosure.

Gender diversity indicates the presence of the role of women and the characteristics of the board of commissioners that has been currently being studied. Eagly *et al.*, (2003) <sup>[13]</sup> stated that women are believed to be spontaneous, sympathetic, cooperative, and concerned about the welfare of others. This characteristic may make it easier to resolve conflicts that may occur between managers (agents) and shareholders (principals). Barako & Brown (2008) <sup>[5]</sup> also pointed out the strengths of women commissioners. According to them, the proportion of

women brings diversity of ideas into the discussion space and improves the quality of decision making. Women can provide a variety of opinions, beliefs, and a wider network that can balance company financial and non-financial information and overcome various interest guidance from conflicting stakeholder groups (Jizi, 2017) [23]. Sheridan & Milgate (2005) [36] argue that women on the board of commissioners provide different knowledge, experience, and skills from male commissioners. Men are more concerned with profitable corporate performance activities (Williams, 2003) [40], while women are more sensitive than men regarding environmental issues (Zaid *et al.*, (2019) [41]. The fifth goal of the SDGs is related to gender equality. This goal increasingly encourage women's councils to fight for their interests in congruence with their nature to be able to combat for the interests of the world. Therefore, the proportion of women on the board is an effort to encourage corporate social responsibility activities towards sustainable development goals (SDGs). The results of research conducted by Farida (2019) [16] and Ullah *et al.*, (2017) [38] show that there is a significant positive effect between the number of women on the board and disclosure. Based on this explanation, the following hypothesis is formulated:

**H<sub>3</sub>:** The women's board of commissioners has positive significant to SDGs disclosure

#### **The effect of managerial ownership on SDGs disclosure**

Managerial ownership is the share of company shares owned by the manager either through the provision of incentives or in the form of options. Managerial ownership in the perspective of agency theory is a control mechanism in order to align the interests of managers with those of shareholders. In this condition, the manager will act carefully in making decisions because the decisions made will have an impact not only on shareholders, but also for managers as decision makers. If the decision taken is correct, the manager will get the benefits as expected, on the other hand, if the decision is wrong, the manager will also bear the risk directly as the owner. This alignment of interests will of course reduce agency costs.

The larger the managerial ownership, the more managers will try to maximize firm value which will also benefit shareholders (Fama & Jensen, 1983) [15]. Corporate value can be formed through social responsibility, if managers are long-term oriented towards the company. Managers will make decisions to improve the image of the company, by providing social information even though it will sacrifice its resources (Gray *et al.*, 1998), so that the higher the managerial ownership, the more motivated to disclose the company's activities (Fama & Jensen, 1983) [15]. SDGs as a manifestation of social activities will increase the company's positive image. When the company image is good, the company value is expected to increase as well. This condition will provide benefits for all stakeholders. Based on the explanations and empirical findings that have been explained, the following hypothesis 4 can be formulated:

**H<sub>4</sub>:** Managerial ownership has a positive effect on SDGs disclosure.

#### **The effect of institutional ownership on SDGs disclosure**

Institutional ownership plays an important role in controlling company. Agency theory explains that the large amount of their share ownership in a company is one of their ways to supervise optimally the company, which can

reduce agency conflicts. According to Nurleni *et al.*, (2018) [28] companies that having large ownership will exert pressure control over management actions. Aburaya *et al.*, (2012) [2] describe that institutional investors are sophisticated investors. They are not easily be able to be deceived because they have the power to monitor manager's decisions by, such as, companie's disclosure. They have the opportunity to monitor company disclosure practices and influence firm value because of their large share ownership (Barako *et al.*, 2006) [6]. Thus, institutional investors can influence firm value and provide directions for managers to make voluntary disclosures such as disclosure of the SDGs. In other side, stakeholder theory explains that stakeholders have the right to know all company information, both financial and non-financial information (Saleh *et al.*, 2010) [33]. Stakeholders with long-term orientation are going to concern on that information. They are more like to invest on the company that caring on social, environment, good governance and all activities to support mutual welfare, just as SDGs. Investor institutional is expected to have this concern because of the power they have. Their power can influence not only the company, where they invest their resource, but also can support the government programs, eventhough, some institutional investor may prioritize their own interests who are only looking for temporary profits in the company Qa'dan & Suwaidan (2019) [31].

Institutional investors as a sophisticated investor (Aburaya *et al.*, 2012) [2] can encourage managers to have a good perspective that social responsibility can be a means to create long-term value and require management to disclose about those activities. This requirement is a representation of stakeholders who want to invest in a transparent company that has a good management system (Welford 2007 in Aburaya *et al.*, 2012) [2]. Institutional investors will support companies to initiate CSR as an attraction for them to invest (Mahoney & Roberts, 2007) [27], so they will support SDGs achievement as well. The greater the institutional investment given will be able to encourage companies to disclose information as part of their commitment to their involvement in the SDGs, and also make their criteria meet the company's information needs and provide a signal to stakeholders that the company is involved in sustainable development (García-Sánchez *et al.*, 2020) [18].

Oh *et al.*, (2011) [29] found that institutional ownership that have large funding such as banks and pensions have a positive effect on the level of CSR assessment. In contrast to research conducted by Mahdi *et al.*, (2017) [26], institutional ownership has a positive and insignificant effect on CSR disclosure. Based on the explanation above, the hypothesis can be formulated as follows:

**H<sub>5</sub>:** Institutional ownership has a positive effect on SDGs disclosure.

#### **Methods**

The purpose of this research is to analyze the involvement of business entities in achieving the SDGs, by looking at the role of stakeholders (represented by ownership) and CG. Hence, this study examines the effect of ownership and board of commissioners variables on SDGs disclosure, tested by a regression analysis for hypotheses. This statistic is applied for secondary data and uses a positivist approach with quantitative method. The independent variables include the characteristic board commissioners, ownership structure and four control variables, and the dependent variable is

SDGs disclosure. Variable measurement of each variable are presented on Table 1. All data are sourced from the

annual report of each corporate web site. Content analysis is applied to collect SDGs disclosure data.

**Table 1:** Variables measurement

Variable	Indicators	Scale
<b>Independent Variables</b>		
Board size	The total number of commissioners of a company	Ratio
Independent board	Proportion of the independent board to the total board of commissioners	Ratio
Female board	Proportion of the number of women commissioners members to the total board of commissioners	Ratio
Managerial ownership	The number of share ownership by the board of directors and the board of commissioners divided by the total shares outstanding	Ratio
Institutional ownership	The number of institutional shareholdings in the company divided by the total outstanding shares	Ratio
<b>Dependent Variable</b>		
Sustainable Development Goals (SDGs)	Companies that publishing annual reports and disclosing CSR activities that containing items of 17 SDGs content are coded 1 and 0 otherwise	Nominal
<b>Variables Control</b>		
Company size	Logarithm natural of total assets	Ratio
Profitability (ROA)	Earning after tax to total assets	Ratio
Company age	Age = (Research year – published year on BEI)	Ratio
Leverage	Debt to total assets	Ratio

Manufacturing companies become the object of research with the company as the unit of analysis. Manufacturing companies are a concern of this study because this sector is more vulnerable to social issues related to labor issues, materials used, and products produced. Purposive sampling obtains 91 companies to be sample and produce 182 observations as shown in Table 1. The 2017 and 2018 annual reports are the object of research because the SDGS cycle has only started in 2016, and it is expeted that 2017 will already take into account the SDGs issue in its annual reports. In additional, 2018 was the last year the annual

reports were obtained when the research was conducted. The use of regression for two years of data may be less reliable if used for prediction and this become a limitation of this study as a preliminary study. However, this study uses panel data with the main objective of explaining disclosure factors based on certain theories, and not for predictive purposes, so that the two-year data is expected to provide an overview of a model that can be used to design policies related to the implementation of SDGs or other similar programs.

**Table 2:** Sampling process

	Total
Manufacturing companies listed on the Indonesia Stock Exchange in 2017 and 2018	181
Manufacturing companies that do not publish financial reports and annual reports on the IDX in 2017 and 2018	(39)
Manufacturing companies that do not use rupiah (IDR)	(30)
Data outlier	(21)
Sample	91
Observations Total (91 x 2 tahun)	182

**Results**

**Statistics descriptive**

Table 2 presents the descriptive statistical results of all variables. Based on the table, SDGs disclosure has the lowest value of 0.00%, the highest value of 88%, an average of 34.39% with a standard deviation value of 19.98%. The companies disclose SDGs items on average approximately 6 (34.39%) items. This amount is considered high enough for a cycle that has only been running for 3 of 15 years. Surprisingly, there is company that disclosing 15 (88%) SDGs items. It means that only two SDGs items have not been achieved.

The size of the board of commissioners has a minimum value 2 and a maximum value 8, which means that members of the board of commissioners in a manufacturing company have at least 2 members and at most 8 people. The average value of the size of the board of commissioners is 3,87, which explains the average size of the board of commissioners in manufacturing companies ranging from 3 or 4. The standard deviation value is 1.667, smaller than the mean value. so that the distribution of the data is relatively low.

The independent board of commissioners has as a minimum value of 0.20 and a maximum value of 0.67, which means that the proportion of independent commissioners in manufacturing companies shows the smallest value of 20% and the highest value of 67% of all members of the board of commissioners in the company. The average value of the independent board of commissioners is 0.4067, which explains the average value of the independent board of commissioners in manufacturing companies of 40.67% and the standard deviation value of independent commissioners is 0.0939, which means that the standard deviation value is 9.39%. the value is smaller than the average value so that the distribution of the data is relatively low.

**The classic assumption test and goodness of fit model**

Multiple linear regression requires a classic assumption test. Following previous studies, the classic assumption tests that are commonly used include normality, multicollinearity, autocorrelation, and heteroscedasticity. The first classic assumption test is the normality test, conducted to test whether in the regression model, confounding or residual variables have a normal distribution (Ghozali, 2016). The

normality test used was the Kolmogorov-Smirnov (KS) non-parametric statistical test by looking at its significance. The test results in Table 3 show a positive KS value 0.047 with a

significance level of 0.200 (above 0.05). This results document that normality test fulfilled.

**Table 3:** Statistic descriptive

	N	Minimum	Maximum	Mean	
				Statistic	Std. Error
SDGs	182	0.00	0.88	0.34	0.01
Board size	182	2.00	8,00	3.87	0.12
Independence board	182	0.20	0.67	0.41	0.01
Female board	182	0.00	0.50	0.10	0.01
Managerial ownership	182	0.00	0.38	0.02	0.00
Institutional ownership	182	0.00	0.93	0.44	0.03
Company Age	182	0.00	3.74	2.55	0.08
Company Size	182	25.04	32.20	28.27	0.11
Leverage	182	0.04	1.95	0.50	0.02
ROA	182	-0.48	0.72	0.05	0.01
Valid N (listwise)	182				

The second test is the multicollinearity test, which is conducted to test whether the regression model has a correlation between independent (independent) variables. A good regression model should not have a correlation between the independent variables. This test is carried out by looking at the tolerance and VIF values, if the tolerance value is greater than 0.1 and the VIF is less than 10, then the research model being tested is free of multicollinearity (Ghozali, 2016). Table 3 shows the test results which illustrate that there is no multicollinearity for all research variables. This is indicated by a tolerance value greater than 0.1 and a VIF value less than 10 for each variable.

Third, the autocorrelation test is conducted to test whether the linear regression model has a correlation between confounding error in period t and confounding error in period t-1 (previous). A good regression model is a regression that does not have autocorrelation. This study uses a two-year period, so it must perform an autocorrelation test. Run test was applied to the autocorrelation test and the result are given in Tabel 3. Z-value of Runs Test is negative 1.487 with a significance

level of 0.137 (above of 0.05). This results conclude that the autocorrelation test being met.

The last test is the heteroscedasticity test. Heteroscedasticity test is carried out to test whether there is an inequality of variance from the residuals of one observation to another in a regression model. If the residual variance from one observation to another is constant, it is called homoscedasticity and if it is different called heteroscedasticity. A good regression model is that there is no heteroscedasticity or in other words, there is homoscedasticity. Glejser Test in Table 3 provides a proof that the homoscedasticity condition satisfied. All coefficients (t value) of each variables has significant level above of 0.05.

The result of the hypothesis test can be interpreted if it has a good model. Therefore, before interpreting the results of the hypothesis test, the goodness of fit model must first be seen. This work uses two indicators of goodness of it model, y.i: Adjusted R Square and Anova F Test. Table 3 displays adjusted R square 0.469 and F test value 18.745 with a significant level 0.000. Simultaneously, model fulfills the conditions of a goodness of fit model.

**Table 4:** Glejser test

	Unstandardized coefficients		Standardized coefficients		Sig
	B	Std. Error	Beta	t	
(Constant)	-0.225	0.163		-1.376	0.171
Board size	-0.002	0.006	-0.028	-0.265	0.792
Independence board	0.064	0.078	0.067	0.828	0.409
Female board	0.024	0.046	0.041	0.518	0.605
Managerial ownership	0.067	0.112	0.045	0.594	0.553
Institutional ownership	0.012	0.021	0.045	0.566	0.572
Company Age	-0.004	0.007	-0.042	-0.524	0.601
Company Size	0.011	0.006	0.193	1.872	0.063
Leverage	-0.012	0.026	-0.039	-0.459	0.646
ROA	-0.018	0.059	-0.025	-0.304	0.762

<sup>a</sup>Dependent Variable: ABS\_RES1

**Hypothesis test results (t-Test)**

**The effect of the size of the board of commissioners has a positive effect on SDGs disclosure.**

Table 4 displays multiple regression test and some other test related to this work. The size of the board of commissioners (board size) shows a positive coefficient value of 0.031 with a significance value of 0.001, which means that board size

has positive significant effect on SDGs disclosure as hypothesized. The larger the board size, the more SDGs items are disclosed by the company. This finding indicates that, the large board played a role in encouraging companies to be involved in achieving the SDGs. The large board boosts the fulfillment of various interests by the different backgrounds, knowledge and ideas of board members.

The theoretical implication, these findings support stakeholder theory and strengthen the role of this theory in explaining the relationship between board size and corporate social responsibility in terms of SDG content. The practical implication of this finding is that the large board must be complemented by a variety of backgrounds, so that each member can provide a variety of views, which are expected to meet the varied interests of stakeholders. The focus on SDG content as a representation of corporate social responsibility has methodological implications and can provide input for policy makers in viewing the business entity role. The results of this study are in line with Zaid *et al.*, (2019) <sup>[41]</sup> finding in CSR context.

**Effect of the independent board of commissioners on SDGs disclosure**

Independent board of commissioners has a significant positive effect on SDGs disclosure as the prediction on agency theory. Thus, proposed hypotheses is supported. Independent board can perform its functions on: (1) monitoring effectively to achieve SDGs, (2) becoming a check and balance mechanism to ensures companies act in the interests of stakeholders (Khan, 2010) <sup>[24]</sup>, (3) encourages and directs managers towards high transparency (Ahmed *et al.*, 2006) <sup>[3]</sup> increases supervision of the quality of disclosure and reduces information concealment and improves corporate image (Fama & Jensen, 1983) <sup>[15]</sup> (4) in supporting company investment into the CSR program and therefore increases the disclosure of SDGs. The results of this study are consistent with research by Zaid *et al* (2019) <sup>[41]</sup> on CSR disclosure context.

**Table 5:** Multiple regression test

	B	t	sig	Collinearity statistics	
				Tolerance	VIF
SDGs	-1.826	-6.960	.000		
Board size	.031	3.355	.001	.508	1.970
Independent board	.310	2.487	.014	.855	1.170
Female board	.000	-.003	.997	.903	1.107
Managerial ownership	.237	1.318	.189	.955	1.047
Institutional ownership	.065	1.911	.058	.876	1.142
Company Age	.004	.375	.708	.879	1.138
Company Size	.067	6.844	.000	.527	1.899
Leverage	-.011	-.263	.793	.760	1.316
ROA	.051	.535	.594	.814	1.229
Adjusted R Square	.469				
F Test	18.745	.000			
Runs Test	-1.487	0.137			
Kolmogorov-Sminov (KS) Test	0.047	0.200			

Dependent Variable: SDGs

Based on these findings, the greater the proportion of independent boards of commissioners, the more likely they will be involved in improving SDGs programs. OJK Regulation No. 33/2014 states that independent commissioners are required to be at least 30% of all members of the board of commissioners and the results of descriptive statistical analysis Table 5 show that the average member of the independent commissioners board is 40.6%. It can be concluded that the proportion of independent commissioners is in accordance with the prevailing laws and regulations. The statement of Zaid *et al.*, (2019) <sup>[41]</sup> supports

that the existence of independent commissioners can act positively in creating company transparency to get additional investment in corporate social activities.

The greater the proportion of independent boards of commissioners, monitoring the various interests of shareholders, is expected to be effective. The independent board of commissioners encourages and directs managers towards high transparency (Ahmed *et al.*, 2006) <sup>[3]</sup>. An independent board of commissioners is seen as a check and balance mechanism to ensures companies act in the interests of stakeholders (Khan, 2010) <sup>[24]</sup>. A high proportion of independent boards of commissioner increases supervision of the quality of disclosure, reduces information concealment, and improves corporate image (Fama & Jensen, 1983) <sup>[15]</sup>. Abdullah *et al.*, (2011) <sup>[1]</sup> show that the independent board of commissioners has a positive impact in supporting company investment into the CSR program and therefore increases the disclosure of SDGs. The results of research conducted by Zaid *et al* (2019) <sup>[41]</sup> and Sadou *et al.*, (2017) <sup>[34]</sup> provide evidence of significant positive effect independent boards of commissioners on CSR disclosure.

**Effect of the female board of commissioners on SDGs disclosure**

The third hypothesis in this study is that the female board of commissioners has a positive effect on SDGs disclosure. The test result in Table 3 show that the female board of commissioners has a positive but insignificant effect on the disclosure of SDGs so that the proposed hypothesis are rejected. The results of this study are in line with research by Zaid *et al.*, (2019) <sup>[41]</sup> showing a positive and insignificant effect between the female board of commissioners on CSR disclosure. Based on the results of the insignificant effect, it is concluded that the increasing number of female commissioners members may not be able to increase the SDGs content in the company's environmental and social activities.

Statistical data shows that the dominance of the board of commissioners is still male. Although the largest proportion can reach 50%, it is only 10% on average. Therefore, the role of women may still be a minority in making decisions and overseeing the running of the company together with other boards of commissioners. It is possible that the female board of commissioners is only a complement in monitoring the company to meet the law. According to Zaid *et al.*, (2019) <sup>[41]</sup>, the board of commissioners limited women's participation in decision making. Because authority and power are more dominated by men (Sheridan & Milgate, 2005) <sup>[36]</sup>. Khan (2010) <sup>[24]</sup> explains that the minimal composition of women makes what women want to do on the issue of corporate social responsibility will be less powerful than the policies and arguments of the male board of commissioners. This may occur because the role of female board has not yet played an important role in encouraging company performance to create innovative corporate social responsibility activities that lead to SDGs points. The findings of this study also refuse the concept of Eagly *et al.*, (2003) <sup>[13]</sup> about the characteristics of women, the diversity of ideas from Barako & Brown (2008) <sup>[5]</sup>, the balance of interests from Jizi (2007) <sup>[23]</sup> and competence from Sheridan & Milgate (2005) <sup>[36]</sup>.

**Effect of managerial ownership on SDGs disclosure**

Based on the results of hypothesis testing in Table 3, managerial ownership has a positive coefficient but insignificant effect on SDGs disclosure so that the proposed

hypothesis are rejected. This result states that the amount of shares owned by managers does not affect SDGs disclosure. Statistical data in Table 1, the average of managerial ownership has a relatively small (2.07%). These results are consistent with Mahdi *et al.*, (2017) <sup>[26]</sup> work in CSR disclosure context.

These results conceptually do not support both agency and stakeholder theory. In view of agency theory, the small share ownership has not been able to align the interests between management and shareholders. In the concept of management control, the interests of shareholders or owners are the survival of the company, which means long-term goals. Achieving the SDGs is one strategy for achieving long-term goals. These findings indicate that it is possible that managers are still short-term oriented so that they have not made the SDGs agenda part of the company's strategy.

These results do not support the stakeholder theory in terms of meeting stakeholder interests. Small managerial ownership is not able to balance the various stakeholder interests, especially the interests of the opposition stakeholders. The government, institutions concerned with social and environmental issues, for example, have been disappointed by this result. According to the view of Ullman (1985) regarding these results that management assesses SDGs as not being an effective management strategy for communicating with stakeholders.

#### **The effect of institutional ownership on SDGs disclosure**

Based on the results of hypothesis testing in table 3, institutional ownership has a positive significant effect on SDGs disclosure at level 0,10. It means that hypotheses is rejected. These results state that the amount of shares owned by institutional investors does not affect the form of corporate social responsibility activities in SDGs items. Statistically, this rejection may be because the average institutional ownership is still quite low even though there are companies that have very high institutional ownership. The low average institutional ownership in the perspective of agency theory has not been able to become a control mechanism for management to direct social activities such as SDGs. The interpretation differs from the viewpoint of agency theory that company management tries to maximize compensation by not making social investments which will reduce company profits so that the disclosure of SDGs is insignificant.

From the standpoint of stakeholder theory, the company has not been able to fulfill the interests of those who have adversarial positions. It is indicated that institutional ownership is still financially oriented and not take into account SDGs disclosure in investment decision making. The results of this study are in line with research conducted by Mahdi *et al.*, (2017) <sup>[26]</sup>, where institutional ownership does not have a significant effect on CSR disclosure.

#### **The effect of control variables on SDGs disclosure**

Table 3 shows that, of the four control variables, there is only one control variable that has a significant effect, namely company size. This result is the most conclusive in any disclosure study especially CSR context. It can almost be concluded that any policy initiated by the government or regulated through laws and regulations, large companies will respond faster than small companies. This result is supported by many studies, including a fairly recent research conducted by Zaid *et al.*, (2019) <sup>[41]</sup>. Three other

variables, namely profitability leverage and company age were not found to have a relationship with SDG disclosure.

#### **Conclusion**

This study aims to analyze the involvement of business entities in achieving the SDGs by observing the role of stakeholders and CG components. The results show that the board of commissioners as a component of CG has played a role in encouraging the achievement of SDGs through the board size and the independent boards. However, the roles of stakeholders represented by managerial ownership, foreign ownership and institutional ownership do not confirm that they have a significant role in achieving the SDGs. Another finding that is quite conclusive is that there is a positive relationship between company size and the disclosure of SDGs.

This study provides some implications. First, practical implications, these results provide feedback regarding the disclosure policy, especially if the disclosure will be used as an evaluation tool for a particular program, so that it is easier for the authorities or stakeholders to observe and measure non-financial information for decision-making. Second, the findings support stakeholder theory in explaining the relationship between CG and CSR, which viewing CSR from the perspective of SDGs content, for this case. However, empirical data for ownership as stakeholder representation do not support this theory. Third, the methodological implication provides a different perspective in looking at CSR, namely by measuring the CSR disclosure from the SDGs content

The focus on manufacturing firms may raise generalizability problems, therefore, it is necessary to observe business entities in other sectors. In addition, even though the model is good enough, the adjusted R square which is below 50% opens research opportunities to explore other antecedent variables that may affect the achievement of the SDGs, for example investor motivation in investing and board of commissioners' background.

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