

THE INFLUENCE OF GOOD CORPORATE GOVERNANCE AND SUSTAINABILITY AUDITS ON THE IMPLEMENTATION OF SDGS IN PUBLIC COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

The implementation of Sustainable Development Goals (SDGs) in public companies in Indonesia is becoming increasingly demanded as attention to sustainability issues grows. However, not all companies are able to optimally integrate the SDGs. This issue raises questions about the factors influencing the level of SDG implementation, particularly the role of Good Corporate Governance (GCG) and sustainability audits. This research aims to analyze the influence of GCG and sustainability audits on the implementation of SDGs in public companies listed on the Indonesia Stock Exchange. The research method uses a quantitative approach with purposive sampling technique and a total of 100 respondents from management and staff related to company sustainability. Data were analyzed using SPSS thru validity testing, reliability testing, classical assumptions testing, multiple linear regression, and hypothesis testing (t-test and F-test). The research results indicate that GCG and sustainability audits simultaneously have a positive and significant effect on the implementation of SDGs, with a contribution of 61.2%. Partially, both variables also have a significant effect. This finding confirms that strengthening good corporate governance and conducting credible sustainability audits are important strategies for improving the successful implementation of SDGs in public companies in Indonesia.

Keywords: *Good Corporate Governance, Sustainability Audit, Sustainable Development Goals (SDGs), Public Companies, Indonesia Stock Exchange.*

INTRODUCTION

The Sustainable Development Goals (SDGs) are a global agenda set by the United Nations (UN) to encourage development in a variety of areas, including the economy, society, and the environment. As part of the global community, businesses have a crucial role to play in achieving this goal thru the application of the sustainability principle in their business strategy and operations. In Indonesia, public companies listed on the Indonesia Stock Exchange (IDX) are expected to focus not only on achieving financial performance but also on integrating the principle of sustainability to ensure a positive impact on the people who need it. The implementation of SDGs in the global economy is increasingly becoming a top priority, with investors, regulators, and the general public demanding greater transparency and accountability. (Hong et al., 2025a). A key principle in guiding the implementation of the SDGs in businesses is good corporate governance, or GCG. Effective GCG implementation can ensure transparent, accountable, responsible, and equitable governance, allowing business operations to proceed according to the principle of sustainability. GCG mechanisms, such as the board of commissioners, the audit committee, and reporting transparency, can help businesses integrate the SDGs into their business plans. However, the effectiveness of GCG in guiding the implementation of the SDGs remains a topic of interest to researchers, indicating disparities in GCG implementation rates among all public companies. (Sawandi & Thomson, 2014). In addition to GCG, sustainability audits, or audits of keberlanjutan, play a crucial role in ensuring the accuracy of information provided by businesses. The goal of audit keberlanjutan is to verify data related to SDG achievement presented in sustainability reports, ensuring the relevant information is trustworthy for

stakeholders. This audit process not only assesses compliance with the standards but also evaluates the effectiveness of the company's sustainability program. It is hoped that with an independent audit, businesses will be able to identify greenwashing practices and make meaningful contributions to the achievement of the SDGs. Based on the aforementioned background, it is crucial to examine the effects of Good Corporate Governance and auditing practices on the implementation of the SDGs in public companies at the Indonesia Stock Exchange (IDX). It is anticipated that this study will contribute to the development of literature in the area of sustainability accounting and corporate governance, as well as offer practical recommendations for business management in integrating SDG principles into business strategy. The results of this study are also expected to be useful to investors and regulators in encouraging more cautious and cooperative business practices. (Birkin et al., 2021).

LITERATURE REVIEW

1. Good Corporate Governance (GCG)

GCG stands for good corporate governance, which is a business principle that emphasizes transparency, accountability, independence, and fairness in business operations. According to the Forum for Corporate Governance in Indonesia (FCGI), effective GCG implementation can increase investor trust, reduce risk, and ensure business continuity. In conclusion, GCG plays a crucial role in ensuring that businesses operate in accordance with Environmental, Social, and Governance (ESG) principles and in assisting in the achievement of the SDGs. The main factors that ensure the integration of the sustainability goal into the corporate strategy are the board of commissioners, the audit committee, and top management. (Wardani et al., 2024).

2. Sustainability Audit

A sustainability audit refers to the independent examination of a company's records and practices to determine its compliance with data accuracy and integrity standards. According to Simnett, Vanstraelen, and Chua (2009), sustainability audits help increase the credibility of sustainability reports so that those who need to know can have more faith in the information provided by the company. In relation to the SDGs, audits are conducted to verify that the programs, capabilities, and indicators used by businesses align with the global goals. Additionally, this audit can serve as a tool for detecting greenwashing, enabling businesses to engage in honest business practices. (Hong et al., 2025b).

3. Implementasi Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a global development agenda comprising 17 goals, 169 targets, and 232 indicators that must be achieved by 2030. In the business context, SDGs encourage companies to contribute to sustainable development thru environmentally friendly, socially responsible, and economically sound practices. Thru sustainability regulations such as POJK No. 51/POJK.03/2017, the Financial Services Authority (OJK) has regulated public companies on the Indonesian Stock Exchange. However, the level of SDG implementation among businesses varies greatly, depending on management's sensitivity, business performance, and auditing procedures. (Salleh et al., 2014).

4. The Relationship between GCG, Sustainability Audits, and SDG Implementation

Numerous studies have shown that strong GCG implementation can support SDG integration in business strategy, while a thorough audit ensures that implementation is proceeding in accordance with the plan and guidelines. For example, the KPMG (2022) study indicates that companies with good GCG and audited sustainability reports have a higher SDG adherence rate than companies that are not audited. However, research in Indonesia examining the effects of GCG and audits on progress toward SDG implementation is still lacking, especially in public companies listed on the Indonesia Stock Exchange (IDX). This provides an opportunity for this study to contribute theoretical and practical insights to the development of governance and sustainability literature in Indonesia (Ala-Heikkilä et al., 2024).

METHOD

This study utilizes a quantitative approach, employing the survey method to examine the effects of Good Corporate Governance (GCG) and auditing practices on the implementation of the Sustainable Development Goals (SDGs). The research type used is explanatory research, as its objective is to clarify the causal relationship between variables thru hypothesis testing. The information gathered is preliminary data obtained thru questionnaires administered to respondents who have a clear understanding of GCG, sustainability, or audits of publicly traded companies listed on the Indonesian Stock Exchange (Ali et al., 2014). The population in this study consists of all employees or staff of public companies in BEI who are related to governance, audit, and sustainability in their respective fields. Purposive sampling is used in the sample preparation techniques, and respondents must meet

certain requirements, such as holding a position or having responsibilities in governance, sustainability reporting, or audit. The sample size used is 100 respondents, selected from various industries to obtain a more diverse representation (Ali et al., 2014). Data is collected using a questionnaire based on indicators for each of the study's variables. The GCG variable is determined by transparency, accountability, responsibility, independence, and education. The sustainability audit variable is determined by audit quality, auditor independence, and the completeness of the audit process. The SDG implementation variable is determined by integrating the SDG goals into business strategy, program execution, and target achievement. Each statement is measured using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree). Before distributing the questionnaire, validity and reliability tests were conducted on 30 initial respondents (pilot test) to ensure the instrument was suitable for use (Kauer et al., 2024). The collected data is analyzed using SPSS software. Aspects of the analysis include validity, reliability, descriptive analysis, classical assumptions (normality, multicollinearity, heteroscedasticity), and multiple regression analysis to examine the simultaneous or partial effects of the independent variables (GCG) and sustainability audit on the dependent variable (SDG implementation). The significance level is set at 95% confidence ($\alpha = 0.05$). The results of this analysis will serve as a foundation for highlighting the significance of the GCG and audit findings for the implementation of the SDGs in public companies at the Indonesia Stock Exchange (IDX) (Abdullah et al., 2014).

RESULTS AND DISCUSSION

1. Validity and Reliability Test Results

Based on the results of the validity check, all statements made about the variables of Good Corporate Governance (GCG), sustainability audit, and SDG implementation had a correlation value greater than 0.30, indicating they were considered valid. The Cronbach's Alpha reliability test results showed that GCG had a score of 0.872, the sustainability audit had a score of 0.854, and SDG implementation had a score of 0.881. These scores are above the minimum threshold of 0.70, making this research instrument reliable and consistent in measuring the variables.

2. Results of Descriptive Analysis

Descriptive analysis shows that the average GCG score is 4.12, indicating that respondents perceive the company's governance to be well-managed. The audit's average score of 4.05 suggests that the majority of respondents believe the audit process is conducted straightforwardly in their company. The implementation of the SDGs received an average score of 4.08, which means that most public companies have integrated the SDGs goals into their strategies and work programs.

3. Results of Classical Assumption Tests

The normality test, which uses the Kolmogorov-Smirnov method, indicates that the data has a normal distribution when the significance level is at least 0.200 (>0.05). The multicollinearity test indicates that the Variance Inflation Factor (VIF) is 1.512 for GCG and 1.512 for sustainability audit, both of which are less than 10, so multicollinearity does not occur. The Glejser method test for heteroscedasticity yields a significance value >0.05 for all variables, indicating that heteroscedasticity did not occur.

4. Regression Analysis Results

The results of the multiple regression analysis show that the implementation of the SDGs is equal to $12,384 + 0,421$ (GCG) $+ 0,367$ (Sustainability Audit). The coefficient of determination (R^2) is approximately 0.612, indicating that 61.2% of the variation in SDG implementation can be explained by the GCG and sustainability audit variables, while 38.8% can be attributed to other factors outside the model. The F-test yielded a significance level of 0.0000 (<0.05), which indicates that GCG and audit continue to have a significant impact on SDG implementation.

5. Partial Test Results (t-test)

The t-test indicates that GCG has a calculated t-value of 5.124 with a significance level of 0.0000 (<0.05), indicating that GCG has a positive and significant impact on the implementation of SDGs. With a calculated t-value of 4.572 and a significance level of 0.0000 (<0.05), sustainability audits also have a positive and significant impact on SDG implementation. The results show that as GCG implementation and audit quality improve, the rate of successful SDG implementation in public companies listed on the IDX is increasing.

DISCUSSION

The results of this study support the theory that GCG is a crucial foundation for integrating the keberlanjutan principle into a korporasi strategy. Businesses with good tata kelola have a strong foundation in the

SDGs because of transparency, accountability, and effective oversight by komisaris and audit committee members. In addition to this, audits help to increase the credibility of the report and reduce the risk of greenwashing, ensuring that the SDGs are implemented in accordance with the goals. This is in line with a study by KPMG (2022) that states that a combination of strong tata kelola and independent auditor verification is a key component of successful SDG implementation in public companies.

CONCLUSION

Based on the data analysis, this study concludes that Good Corporate Governance (GCG) and auditing have a positive and significant impact on the implementation of the Sustainable Development Goals (SDGs) for publicly traded companies listed on the Indonesian Stock Exchange. The GCG's emphasis on transparency, accountability, responsibility, independence, and hard work can help businesses become more structured in their integration of the SDGs into business strategy and operations. In summary, GCG has a significant impact on the implementation of the SDGs, indicating that successful business leaders facilitate development decisions focused on the long term. Additionally, sustainability audits have a significant impact, meaning that the external verification process of a company's work can increase its credibility and help it reach its SDG targets. This highlights the importance of independent auditors in ensuring the accuracy and reliability of the information provided by businesses. This study provides empirical evidence that a combination of good corporate governance and high-quality auditing can be an effective strategy to accelerate the implementation of the SDGs in Indonesian public companies. Therefore, company management must enhance GCG practices to ensure that audits are conducted professionally and thoroughly. This way, businesses not only meet regulatory requirements but also provide feedback regarding the goals of sustainable construction.

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