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Globalization and Governance: Firm-Level Drivers of Sustainability Reporting Standards

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ABSTRACT

Globalization has transformed corporate dynamics by expanding competition and accountability across nations. The integration of global capital markets has intensified cross-border investments, demanding greater transparency and harmonized sustainability disclosures. This study aims to analyze the effects of foreign ownership, foreign board representation, and dual listing on the adoption of sustainability reporting standards, as well as to examine the moderating role of the audit committee. A quantitative causal–explanatory approach was applied using panel data from 186 firm-year observations of companies listed on the Indonesia Stock Exchange (2022–2024) that adopted the GRI Standards 2021 framework. The results show that dual listing significantly improves sustainability reporting quality, while foreign ownership and foreign board become significant only after considering the moderating effect of the audit committee. The findings indicate that audit committee activity strengthens monitoring effectiveness and aligns disclosure practices with international expectations. This study concludes that sustainability reporting quality is shaped by the interaction between external globalization factors and strong internal governance, offering practical implications for regulators and firms to enhance governance transparency and accountability.

Keywords: audit committee, dual listing, foreign board, foreign ownership, sustainability reporting

INTRODUCTION

Globalization has reshaped the corporate landscape by expanding competition and accountability across nations. It has fundamentally realigned the balance of power between countries (Garanina & Aray, 2021) , while the integration of capital markets has intensified cross-border investments that demand higher corporate transparency and accountability (Wang, 2024) . Consequently, companies are evaluated not only by financial performance but also by their ability to deliver standardized and credible sustainability disclosures (Akpan & Oluwagbade, 2024) . This shift highlights the need for harmonized reporting frameworks to reduce information asymmetry (Savchenko, 2025), strengthen investor confidence (Šuvakov & Sekicki, 2025), and sustain global competitiveness (Qazi, 2024).

The rise of sustainability principles has become a central focus in the global business landscape. Corporations increasingly recognize the risks of climate change (Ghosh & Sahu, 2024) and the need for greater social and environmental responsibility (Fuadah et al., 2022). ESG has emerged as a global priority, emphasizing climate action, accountability, and governance (Putri & Susilowati, 2025; Wu et al., 2023) . Growing public awareness urges firms to support sustainable economic development (Hanifah & Umaimah, 2024) , while investors rely on sustainability disclosures to assess long-term stability (Susanto & Fambudi, 2024) . Reporting practices now align with frameworks like GRI (Hasan et al., 2022; Yani & Suputra, 2020).

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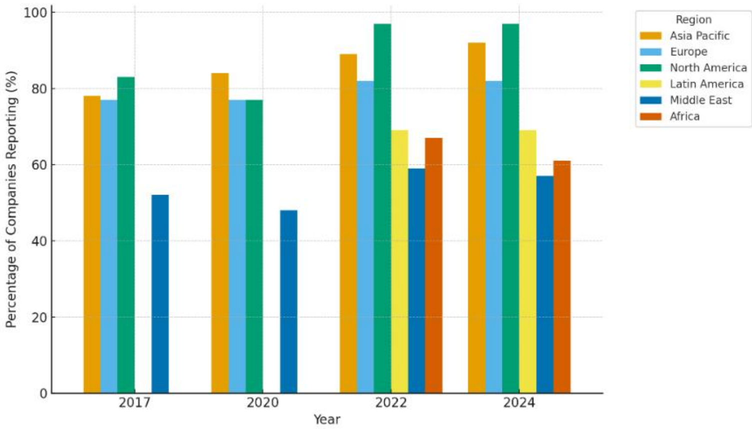
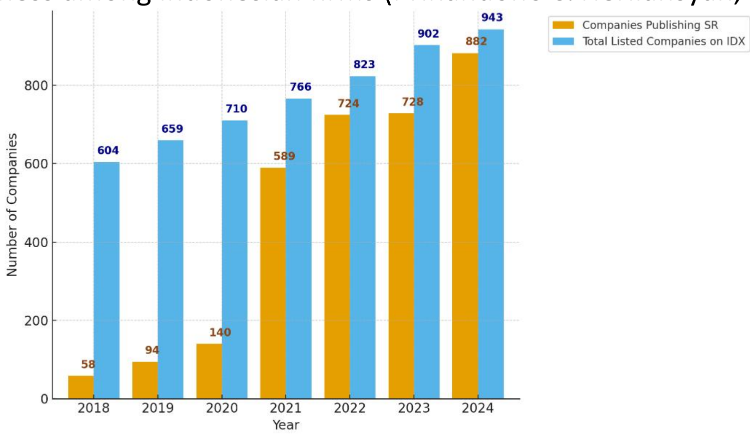
The global adoption of sustainability reporting continues to grow, though progress varies across regions. North America leads with a 97% disclosure rate in 2024, followed by Asia-Pacific, which rose from 78% in 2017 to 92% in 2024. Europe remains stable between 77–82%, while Latin America and Africa show lower levels, with Africa declining from 67% in 2022 to 61% in 2024. The Middle East records the slowest growth, reaching only 57% in 2024. These disparities reflect regional institutional, cultural, and regulatory differences influencing the pace of global convergence in sustainability reporting (Statista Research Department, 2024).



Source: Statista Research Department (2024)
Figure 1. Global Trends in Sustainability Reporting by Region (2017–2024)

In Indonesia, sustainability reporting has grown rapidly but still faces quality and compliance challenges. Only 9.6% of listed firms issued reports in 2018, rising to 76.9% in 2021 and 94% in 2024. However, 6% of firms remain noncompliant with disclosure regulations. Key barriers include unclear reporting criteria (60%), limited understanding of sustainability concepts (59%), and inadequate data access (55%), alongside funding and stakeholder constraints (Kurnia, 2024). The adoption of GRI Standards 2021 further revealed disparities in reporting quality, reflecting variations in governance capacity and organizational readiness among Indonesian firms (Prihandono & Herliansyah, 2025).



Source: IDX website, company websites, PwC Indonesia (2023), and Antara (2025)
Figure 2. Sustainability Reporting Trends in Indonesia (2018–2024)

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The rapid development of sustainability reporting in Indonesia is not only shaped by regulatory initiatives but also by globalization forces that operate at the firm level. Among these, foreign ownership has become one of the most influential channels through which globalization shapes corporate governance and reporting practices. Foreign investors place strong emphasis on transparency and demand higher disclosure quality than domestic shareholders (Wicaksono et al., 2024) . Their involvement motivates firms to enhance environmental, social, and governance (ESG) reporting to meet global accountability standards (Fuadah et al., 2022; Setiawan et al., 2021) . Companies with higher levels of foreign ownership tend to align with international frameworks to build investor trust and strengthen global competitiveness (Ghosh & Sahu, 2024; Susanto & Fambudi, 2024).

Another important manifestation of globalization at the corporate level is the presence of foreign board members, who play a strategic role in shaping corporate sustainability practices. Foreign directors bring international experience, skills, and networks that enhance board decision-making and promote better governance standards (Setiawan et al., 2021) . Their global perspectives, often influenced by developed markets such as Europe and the United States, help companies adopt responsible business practices and strengthen ESG performance (Garanina & Aray, 2021). The diversity of nationalities within the board also broadens the scope of disclosure, as members contribute varied insights and expertise relevant to environmental and social issues (Toumi et al., 2022). Moreover, foreign directors focus not only on financial goals but also on long-term stakeholder interests, improving the quality of sustainability reporting (Yavuz et al., 2024) . This international orientation reflects a stronger commitment to transparency, ethics, and global sustainability standards (Al Naim & Alomair, 2024).

Dual listing also represents a significant channel through which globalization influences corporate reporting standards, particularly in relation to sustainability disclosures. Companies listed on multiple stock exchanges are required to comply with the regulatory frameworks of both home and host markets, which promotes higher transparency and accountability (Yu & Luu, 2021). Through this mechanism, firms are encouraged to disclose more comprehensive environmental, social, and governance (ESG) information to meet the expectations of international investors and regulators (Wu et al., 2023). Cross-listing also provides firms with broader access to capital and financing opportunities, enabling greater investment in green innovation and sustainable initiatives (Xiang & He, 2025) . Moreover, the global exposure gained through dual listing enhances a company's reputation, competitiveness, and market credibility, reflecting its commitment to responsible business practices (Putri & Susilowati, 2025).

However, despite the growing recognition that foreign ownership, foreign board representation, and dual listing play an important role in shaping sustainability reporting, prior empirical evidence remains far from consistent. In terms of foreign ownership, several studies document a positive influence on ESG disclosure (Fuadah et al., 2022; Ghosh & Sahu, 2024; Lin & Nguyen, 2022; Nuhu & Alam, 2024; Setiawan et al., 2021; Susanto & Fambudi, 2024; Wicaksono et al., 2024; Yani & Suputra, 2020) , while others find negative effect (Garanina & Aray, 2021; Hasan et al., 2022; Yuliandhari & Sekariesta, 2023) or even no significant outcomes (Hanifah & Umaimah, 2024; Prihandono & Herliansyah, 2025). Similarly, for foreign board, prior research highlights its positive role in enhancing disclosure through international expertise and diverse perspectives (Al Naim & Alomair, 2024; Garanina & Aray, 2021; Setiawan et al., 2021; Toumi et al., 2022; Yavuz et al., 2024), yet other studies report either insignificant (Colakoglu et al., 2021; Jeyhunov et al., 2025; Sekarlangit & Wardhani, 2021) or adverse effects due to contextual limitations (Toumi et al., 2022). Evidence on dual listing also shows mixed results, with some confirming its positive impact on disclosure quality and credibility (Garanina & Aray, 2021; Li & Wang, 2025; Putri & Susilowati, 2025; Wu et al., 2023; Xiang & He, 2025; Yu & Luu, 2021) , while others reveal non-significant (Khalid et al., 2022) . These inconsistencies underscore the need for further research to clarify whether globalization at the firm level genuinely drives the adoption of sustainability reporting standards, particularly when governance mechanisms such as audit committees are taken into account.

Beyond the inconsistencies in empirical findings, previous studies also reveal important research gaps in terms of research objects and contexts. Many investigations have been conducted in cross-country settings such as BRICS nations (Nuhu & Alam, 2024), global large-cap firms (Yu & Luu, 2021), or developed economies (Khalid et al., 2022), while others focus on single-country contexts including Pakistan (Hasan et al., 2022), Vietnam (Lin & Nguyen, 2022), Russia (Garanina & Aray, 2021), China (Li & Wang, 2025; Wu et al., 2023; Xiang & He, 2025), South Korea (Jeyhunov et al., 2025), Turkey (Colakoglu et al., 2021), and France (Toumi et al., 2022) . In Indonesia, most research has concentrated on broad manufacturing samples (Fuadah et al., 2022; Hanifah & Umaimah, 2024; Setiawan et al., 2021; Susanto & Fambudi, 2024; Yuliandhari & Sekariesta, 2023) or general non-financial firms (Sekarlangit & Wardhani, 2021; Wahyuningrum et al., 2025), with limited attention to sectoral dynamics. Only a few studies have explored specific industries such as mining (Yani & Suputra, 2020) or the Jakarta Islamic Index (Purnomo & Prasetyo, 2021). Recent scholars have further emphasized the need to expand sustainability reporting research to cover more sectors (Ghosh & Sahu, 2024; Susanto & Fambudi, 2024) and to capture sectoral differences that may shape disclosure practices (Yuliandhari & Sekariesta, 2023). Therefore, this study directs its attention to the energy and basic materials sectors, which are not only pivotal to Indonesia's economic development but also among the most exposed to environmental and social risks.

The energy and basic materials sectors are central to sustainability discussions due to their substantial environmental impact and contribution to global emissions. The energy sector remains the largest carbon emitter, driven by the combustion of fossil fuels such as coal, oil, and natural gas for power generation and industrial use (BMKG, 2025). Similarly, the basic materials sector—particularly mining—poses significant ecological risks through resource depletion and land degradation (Prasetyo et al., 2025). The cement industry alone contributes about 7% of global CO_2 emissions and produces other harmful pollutants such as sulfur dioxide and nitrogen oxides (Astuti, 2024) . Despite these challenges, sustainability awareness in both sectors has grown, with 72.5% of energy firms and 78.6% of basic materials firms publishing sustainability reports in recent years. These features position both sectors as crucial contexts for analyzing corporate sustainability reporting practices and environmental accountability.

In light of these sectoral characteristics, this study extends prior research by examining the audit committee as a moderating mechanism in the relationship between globalization factors and sustainability reporting. Previous studies have encouraged the inclusion of additional governance-related variables to better explain reporting outcomes

(Fuadah et al., 2022) , while recent works highlight the importance of governance effectiveness indicators such as meeting frequency (Putri & Susilowati, 2025) . Other scholars also call for the investigation of moderating factors that clarify how globalization influences disclosure practices (Li & Wang, 2025; Susanto & Fambudi, 2024) . Accordingly, this study adopts the frequency of audit committee meetings as a proxy for governance quality, reflecting the committee's oversight and monitoring intensity. Frequent meetings signal greater committee activism, improving the accuracy and credibility of both financial and non-financial disclosures (Dwekat et al., 2022; Rustiarini et al., 2024) . By enhancing review opportunities and ensuring adherence to GRI standards (Arif et al., 2020) , active audit committees strengthen governance responses to globalization pressures in shaping sustainability reporting practices within Indonesia's energy and basic materials sectors.

Taken together, this study fills two key research gaps: the absence of sector-specific analyses in sustainability reporting research and the limited investigation of governance mechanisms as moderating factors. By focusing on Indonesia's energy and basic materials sectors during 2022–2024, this study examines industries that are environmentally sensitive yet crucial to economic growth. Incorporating the audit committee—measured by meeting frequency—as a moderating variable, it provides empirical evidence on how governance quality amplifies or diminishes the influence of globalization factors, including foreign ownership, foreign board representation, and dual listing. The findings contribute to the literature on globalization and corporate reporting while offering practical insights for regulators and firms seeking to enhance sustainability disclosure quality and comparability in emerging markets.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Foreign Ownership and Sustainability Reporting Standards

Stakeholder theory asserts that firms operate within a network of stakeholders whose power and expectations shape corporate disclosure behavior (Deegan, 2023) . Foreign shareholders, as influential stakeholders, demand greater transparency to safeguard their interests and ensure accountability in global investment contexts. From the agency perspective, these foreign investors act as principals who face higher information asymmetry than domestic shareholders due to geographic distance, leading them to require comprehensive sustainability reporting to monitor managerial actions and reduce agency costs (Brigham & Houston, 2022; Scott & O'Brien, 2020; Wicaksono et al., 2024).

Empirical studies consistently confirm that foreign ownership is positively associated with sustainability reporting. Foreign shareholders encourage extensive disclosure due to pressures from global investment networks and expectations to comply with international reporting norms (Nuhu & Alam, 2024) . They demand broader and more transparent sustainability reporting as part of their accountability expectations and commitment to responsible investment principles (Wicaksono et al., 2024) . Higher levels of foreign ownership are linked to more comprehensive ESG disclosures as firms respond to stakeholder pressure and strive to maintain their international reputation (Susanto & Fambudi, 2024) . Furthermore, foreign investors influence governance by urging management to enhance CSR engagement and environmental disclosure (Setiawan et al., 2021; Yani & Suputra, 2020). These disclosure demands reduce information asymmetry and align managerial actions with shareholders' monitoring interests (Lin & Nguyen, 2022).

H1: Foreign ownership has a positive effect on sustainability reporting standards.

Foreign Board and Sustainability Reporting Standards

Stakeholder theory posits that firms operate within a network of stakeholders whose expectations shape corporate accountability and disclosure practices (Deegan, 2023). In this context, appointing foreign directors reflects a strategic response to global stakeholder pressures for transparency and sustainability. From the resource-based view, foreign board members serve as valuable, rare, and inimitable resources that enhance governance quality and strengthen the firm's ability to meet international sustainability standards (Barney & Hesterly, 2019; Grant et al., 2021) . Their global perspectives and expertise improve stakeholder engagement and contribute to superior ESG performance.

Empirical studies support the notion that foreign directors play a critical role in shaping sustainability reporting. Foreign commissioners and directors enhance firm value by pushing management to prioritize CSR activities, transferring global governance practices, and strengthening monitoring responsibilities (Setiawan et al., 2021) . They bring international experience, networks, and knowledge from regions with advanced CSR traditions such as Europe and the United States, which contribute to long-term value creation (Garanina & Aray, 2021). Board nationality diversity has been found to increase the breadth and depth of ESG disclosure, with foreign directors offering beneficial skills, global perspectives, and consulting functions that improve CSR strategies (Toumi et al., 2022; Yavuz et al., 2024). Further evidence shows that foreign directors focus not only on financial performance but also on stakeholder interests, aligning corporate governance with international best practices (Al Naim & Alomair, 2024) . This diversity of perspectives and competencies constitutes a dynamic resource that facilitates the integration of international ESG standards into corporate strategies, thereby enhancing sustainability reporting quality (Toumi et al., 2022; Yavuz et al., 2024).

H2: Foreign board members have a positive effect on sustainability reporting standards.

Dual Listing and Sustainability Reporting Standards

Stakeholder theory asserts that firms operate within a complex network of stakeholders whose power and expectations influence corporate behavior and disclosure practices (Deegan, 2023) . Cross-listing exposes firms to a broader set of stakeholders, including foreign investors, regulators, and international institutions, who demand higher transparency and accountability standards. To maintain their relationships and credibility with these global stakeholders, dual-listed companies are encouraged to adopt more comprehensive sustainability reporting practices (Brunelli & Di Carlo, 2020) . As a result, sustainability disclosure becomes a strategic response to meet stakeholder expectations, strengthen governance, and secure continued support across multiple markets (Çalıyurt, 2021).

Empirical research shows that dual-listed companies are inclined to disclose more ESG-related information to meet the expectations of diverse stakeholders, particularly international investors and regulators who demand greater transparency and accountability (Yu & Luu, 2021) . Through cross-listing, firms interact with broader stakeholder groups whose values and reporting norms prioritize sustainability, thereby encouraging more extensive ESG disclosures (Wu et al., 2023; Xiang & He, 2025). Cross-listed firms also adapt

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to the governance systems and sustainability-oriented cultures of host markets, enhancing their responsiveness to stakeholder interests (Li & Wang, 2025) . Moreover, cross-listing provides access to cost-effective financing and global networks that reinforce responsible environmental and social practices (Putri & Susilowati, 2025). These dynamics suggest that dual listing strengthens a firm's engagement with international stakeholders, improves accountability, and enhances competitiveness through higher-quality sustainability reporting (Garanina & Aray, 2021).

H3: Dual listing has a positive effect on sustainability reporting standards.

The Moderating Role of Audit Committee on Sustainability Reporting Standards

Audit committees (AC) serve as critical governance mechanisms that enhance monitoring, transparency, and accountability in both financial and non-financial reporting. From the lens of agency theory, ACs reduce information asymmetry between managers and shareholders by supervising disclosure quality, thereby mitigating opportunistic managerial behavior (Arif et al., 2020; Raimo et al., 2021) . Regular meetings, recommended at least quarterly by Indonesian regulations, indicate high audit committee activity and reflect a strong commitment to monitoring disclosure processes (Rustiarini et al., 2024) . Increased meeting frequency facilitates knowledge sharing among members and strengthens their ability to oversee ESG-related information, ensuring accuracy, reliability, and compliance with GRI standards (Arslan et al., 2024; Dwekat et al., 2022). In line with stakeholder theory, ACs play a vital role in addressing the diverse expectations of stakeholders by ensuring that sustainability reports provide transparent and credible information, thereby enhancing accountability and stakeholder trust (Deegan, 2023; Erin et al., 2022).

Empirical evidence highlights that AC activism and independence improve the quality of integrated reports and sustainability disclosures (Arif et al., 2020; Raimo et al., 2021) . Frequent meetings allow committees to conduct thorough reviews of corporate activities, including environmental and social initiatives, thereby strengthening accountability (Erin et al., 2022; Jibril et al., 2024). These monitoring functions are particularly relevant when firms face external pressures such as foreign shareholders' demand for transparency, the presence of foreign board members with global ESG experience, and the regulatory requirements of dual listing in international markets. In such contexts, an active audit committee can amplify the effect of these external governance drivers, ensuring that sustainability reporting not only meets domestic standards but also aligns with global best practices. Hence, the moderating role of ACs becomes pivotal in enhancing the relationship between foreign ownership, foreign boards, and dual listing with sustainability reporting standards.

H4: The audit committee strengthens the positive effect of foreign ownership on sustainability reporting standards.

H5: The audit committee strengthens the positive effect of foreign board membership on sustainability reporting standards.

H6: The audit committee strengthens the positive effect of dual listing on sustainability reporting standards.

METHODS

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The study population comprises energy and basic material sector companies listed on the Indonesia Stock Exchange (IDX) during 2022–2024. Using purposive sampling, 186 firm-year observations were obtained based on data completeness and disclosure consistency. Only firms that consistently published sustainability reports for three consecutive years (2022–2024) and adopted the Global Reporting Initiative (GRI) Standards 2021 framework were included. Secondary data were collected from the IDX, company annual and sustainability reports, and the Indonesian Central Securities Depository (KSEI) to ensure reliability and accuracy.

This study investigates the effect of foreign ownership, foreign board representation, and dual listing on sustainability reporting standards, with the audit committee serving as a moderating variable. To enhance model robustness, two control variables—firm size and firm age—were included. Firm size is associated with greater public visibility and stronger pressure to disclose non-financial information, as larger firms possess more resources to implement sustainability initiatives (Solimene et al., 2025). Firm age represents the maturity and operational experience of a company, which often translates into higher reporting quality due to established governance practices (Warokka et al., 2025) . The operationalization of variables is summarized in Table 1.

Table 1. Operationalization of Variables

Variable	Measurement
Sustainability Reporting Standards (SR)	GRI-based disclosure index: 1 if the indicator is disclosed, 0 otherwise; total score divided by maximum indicators
Foreign Ownership (FO)	Ratio of shares held by foreign investors to total outstanding shares
Foreign Board (FB)	Proportion of foreign directors to total board members
Dual Listing (DL)	Dummy variable: 1 = listed on IDX and at least one foreign stock exchange; 0 = listed only on IDX
Audit Committee (AC)	Natural logarithm of the number of audit committee meetings held annually
Firm Size (SIZE)	Natural logarithm of total assets
Firm Age (AGE)	Natural Logarithm of (1 + Firm Age in Years)

The study employed a panel data regression model to analyze the relationships among the research variables. The Chow, Hausman, and Lagrange Multiplier tests were applied to determine the most appropriate model specification between pooled least squares, fixed effect, and random effect estimations. Classical assumption testing was performed prior to estimation. The variance inflation factor (VIF) test showed that all independent variables had VIF values below 10, indicating the absence of multicollinearity. However, the heteroskedasticity and autocorrelation tests revealed the presence of violations in both assumptions. To correct these issues, the GLS regression with the vce (cluster id) option was applied to both the model before and after moderation, providing heteroskedasticity- and autocorrelation-consistent standard errors. This adjustment ensures the robustness and reliability of the estimated coefficients, consistent with the approach suggested by (Cameron & Trivedi, 2022).

RESULTS

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Panel data regression was conducted using the Random Effect Model (REM) and the Generalized Least Squares (GLS) method. The analysis was performed for two models — before and after moderation — to test the moderating role of audit committee (AC).

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Table 2. Regression Result

Explanatory Variables	Before Moderation Coef (P-value)	After Moderation Coef (P-value)
FO	0.061 (0.136)	-0.243 (0.019) *
FB	0.039 (0.787)	0.774 (0.161)
DL	0.159 (0.001) **	0.041 (0.553)
AC		0.011 (0.717)
FO*AC		0.213 (0.000) **
FB*AC		0.232 (0.047) *
DL*AC		0.039 (0.001) **
SIZE	0.074 (0.000) **	0.070 (0.000) **
AGE	0.051 (0.008) **	0.047 (0.020) *
Adj R^2	0.4281	0.5174

Notes: *$p < 0.05$, **$p < 0.01$

The regression results presented in Table 2 indicate that before moderation, foreign ownership (FO) exhibits a positive but statistically insignificant effect on sustainability reporting standards (β = 0.061; p = 0.136). Therefore, H1 is rejected, suggesting that the level of foreign ownership does not significantly influence firms' sustainability disclosure practices. Similarly, foreign board membership (FB) shows a positive but insignificant coefficient (β = 0.039; p = 0.787), leading to the rejection of H2, as the presence of foreign directors does not significantly affect the adoption of sustainability reporting standards. In contrast, dual listing (DL) demonstrates a positive and significant effect (β = 0.159; p = 0.001), supporting H3, which implies that companies listed on multiple stock exchanges are more likely to comply with sustainability reporting requirements.

After incorporating audit committee activity (AC) as a moderating variable, the results reveal that the interaction between foreign ownership and audit committee (FO × AC) has a positive and significant effect (β = 0.213; p = 0.000), thus H4 is accepted. This indicates that audit committee activity strengthens the relationship between foreign ownership and sustainability reporting. Similarly, the interaction between foreign board membership and audit committee (FB × AC) is positive and significant (β = 0.232; p = 0.047), suggesting that audit committee activity enhances the role of foreign directors in promoting sustainability disclosure, thus supporting H5. Furthermore, the interaction between dual listing and audit committee (DL × AC) shows a positive and significant relationship (β = 0.039; p = 0.001), confirming H6, indicating that audit committee activity enhances the effect of dual listing on sustainability reporting. The adjusted R^2 value increases from 0.4281 before moderation to 0.5174 after moderation, demonstrating an improvement in the model's explanatory power after the inclusion of the moderating variable.

DISCUSSION

The Effect of Foreign Ownership on Sustainability Reporting Standards

The regression results indicate that foreign ownership exhibits a positive but statistically insignificant effect on sustainability reporting standards. This finding suggests that the mere presence of foreign shareholders does not necessarily enhance the level of sustainability disclosure among publicly listed firms in Indonesia. From the perspectives of stakeholder theory and agency theory, foreign investors are generally perceived as key drivers of transparency, as they tend to demand more comprehensive information to mitigate information asymmetry and improve managerial accountability (Brigham & Houston, 2022; Deegan, 2023) . Nevertheless, the expected governance effect of foreign ownership appears limited in the Indonesian setting, where monitoring mechanisms remain weak and enforcement of sustainability reporting standards is still evolving.

Empirical evidence from prior research supports this interpretation. Prihandono & Herliansyah (2025) found that foreign ownership did not significantly influence sustainability reporting under the GRI 2021 framework, while Hanifah & Umaimah (2024) also reported an insignificant relationship between foreign ownership and CSR disclosure in manufacturing firms. Both studies emphasize that in emerging markets, foreign investors often prioritize short-term financial performance rather than long-term non-financial transparency. This result differs from Wicaksono et al. (2024), Nuhu & Alam (2024), Susanto & Fambudi (2024), and Setiawan et al. (2021), who found a significant positive influence of foreign ownership on sustainability disclosure. Overall, the insignificant relationship implies that foreign ownership alone is insufficient to drive sustainability reporting without stronger governance and institutional support.

The Effect of Foreign Board on Sustainability Reporting Standards

The empirical evidence indicates that the presence of foreign directors has a positive but insignificant relationship with sustainability reporting standards. This suggests that although foreign directors are theoretically expected to enhance governance quality and global disclosure alignment (Barney & Hesterly, 2019; Deegan, 2023) , their influence in Indonesian firms remains limited. The lack of significance may reflect institutional and cultural barriers that restrict their involvement in strategic decision-making, as well as differences in governance expectations between home and host countries.

This finding is in line with Colakoglu et al. (2021) , who reported that foreign board members did not significantly affect CSR performance in Turkish companies because their roles were often symbolic and lacked operational influence. Similarly, Jeyhunov et al. (2025) found no impact of foreign directors on ESG performance in Korean firms, explaining that national cultural norms and collectivist tendencies constrained their effectiveness. Sekarlangit & Wardhani (2021) also observed that nationality diversity on boards in Indonesia did not influence CSR disclosure due to low institutional enforcement and limited board independence. This result differs from Garanina & Aray (2021), Toumi et al. (2022), and Yavuz et al. (2024), who found that foreign board members significantly improved ESG reporting through global expertise and knowledge transfer, highlighting the contextual dependence of board diversity effects.

The Effect of Dual Listing on Sustainability Reporting Standards

The analysis confirms that dual listing exerts a positive and significant impact on sustainability reporting standards, indicating that firms listed on multiple stock exchanges tend to produce more transparent and comprehensive sustainability disclosures. From the perspective of stakeholder theory, cross-listing expands a firm's engagement with international investors, regulators, and institutions that demand higher standards of transparency and accountability (Deegan, 2023) . Operating under multiple jurisdictions encourages firms to harmonize their reporting practices with global sustainability frameworks and strengthen their internal governance systems to meet diverse stakeholder expectations (Brunelli & Di Carlo, 2020; Çalıyurt, 2021).

This finding is consistent with Wu et al. (2023) and Yu & Luu (2021), who found that dual-listed firms disclose broader ESG information to enhance reporting quality and build trust in international capital markets. Similarly, Xiang & He (2025) and Li & Wang (2025) showed that cross-listing improves access to finance and exposure to sustainability-oriented governance environments, while Putri & Susilowati (2025) emphasized that international investor pressure encourages stricter ESG compliance. In addition, Garanina & Aray (2021) highlighted that dual listing enhances firms' visibility and competitiveness through improved reporting standards. Overall, these findings confirm that dual listing acts as a strategic mechanism to strengthen transparency, accountability, and global market confidence through higher-quality sustainability reporting.

The Moderating Effect of Audit Committee on the Relationship between Foreign Ownership, Foreign Board, Dual Listing and Sustainability Reporting Standards

The results show that the audit committee (AC) strengthens the relationships between foreign ownership, foreign board, and dual listing with sustainability reporting standards. Before moderation, foreign ownership and foreign board membership had insignificant effects, implying that external governance pressures alone were insufficient to enhance sustainability disclosure. After incorporating the audit committee as a moderating variable, both relationships became positive and significant, indicating that active audit committees amplify the effectiveness of foreign influence and international governance structures in promoting transparency and reporting quality.

From the perspective of agency theory, the audit committee acts as a key governance mechanism that reduces information asymmetry between managers and shareholders by overseeing the accuracy of both financial and non-financial disclosures (Arif et al., 2020; Raimo et al., 2021). Frequent committee meetings—recommended at least quarterly under Indonesian regulations—demonstrate commitment to supervision and strengthen disclosure monitoring (Dwekat et al., 2022; Rustiarini et al., 2024). This active oversight helps ensure that sustainability reporting meets stakeholder expectations for accuracy and reliability while aligning with GRI standards (Arslan et al., 2024). In the case of foreign ownership, the audit committee mitigates distance-related information asymmetry by verifying the completeness of sustainability information demanded by foreign investors (Lin & Nguyen, 2022; Wicaksono et al., 2024). The finding supports the argument that audit committees transform foreign investors' expectations into concrete disclosure improvements.

Similarly, the moderating effect of the audit committee enhances the influence of foreign board membership on sustainability reporting. Although foreign directors alone did not significantly affect disclosure, their impact becomes significant when supported by active committee oversight. According to the resource-based view, foreign board members contribute global experience, governance expertise, and sustainability knowledge (Garanina & Aray, 2021; Yavuz et al., 2024). However, the audit committee ensures that such strategic resources are effectively implemented by monitoring decision execution and report preparation. Regular meetings facilitate coordination between foreign directors and management, allowing global ESG practices to be integrated into reporting systems. This finding aligns with Al Naim & Alomair (2024) and Toumi et al. (2022), who assert that the influence of foreign directors on ESG disclosure increases under strong internal governance conditions.

The interaction between dual listing and audit committee activity also shows a positive and significant effect. Cross-listed firms operate in multiple jurisdictions and face regulatory and investor scrutiny demanding higher transparency (Wu et al., 2023; Yu & Luu, 2021). Audit committees reinforce this compliance by ensuring that sustainability reports meet both domestic and international reporting requirements. As Xiang & He (2025) and Li & Wang (2025) note, dual listing exposes firms to sustainability-oriented governance systems, while the audit committee ensures that these expectations are systematically incorporated into disclosure practices.

Overall, the results confirm that audit committee activity enhances the role of foreign ownership, foreign board, and dual listing in shaping sustainability reporting. Frequent meetings and active engagement enable committees to detect reporting biases, ensure information reliability, and strengthen accountability (Erin et al., 2022; Jibril et al., 2024). The increase in adjusted R^2 from 0.4281 to 0.5174 after moderation further demonstrates the committee's contribution to improving explanatory power and governance quality. Thus, the audit committee functions as a governance catalyst that transforms external and institutional pressures into effective disclosure practices, reinforcing transparency, accountability, and sustainability performance among Indonesian listed firms.

CONCLUSION

This study concludes that globalization-driven governance factors—foreign ownership, foreign board representation, and dual listing—can enhance the quality of sustainability reporting when supported by active audit committee oversight. The results confirm that the audit committee functions as a key governance mechanism that transforms external pressures from international investors and markets into improved transparency, accountability, and adherence to global reporting standards. These findings reinforce the importance of integrating external governance factors with internal monitoring to strengthen corporate sustainability practices.

However, this study is limited in scope and variables. Future research is encouraged to expand the analysis by examining firms from different industrial sectors or across countries to capture cross-contextual variations in sustainability governance. Subsequent studies may also explore alternative moderating variables—such as board gender diversity, institutional ownership, or the presence of sustainability committees—to provide a more comprehensive understanding of governance interactions influencing disclosure behavior. Practically, the findings suggest that regulators and firms should strengthen audit committee functions and promote active engagement in sustainability oversight to ensure transparent and credible reporting practices that align with international standards and stakeholder expectations.

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