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The Influence of Foreign Ownership and Sustainability Committee on Sustainability Disclosure in Asean Regional Countries

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Abstract: This study is motivated by the increasing attention to sustainability practices in the ASEAN region, which requires companies to focus not only on financial performance but also on transparency and social and environmental responsibility. Foreign ownership and the existence of a sustainability committee are two governance factors that may influence the level of corporate sustainability disclosure. This study aims to examine the effect of foreign ownership and sustainability committee on sustainability disclosure among listed non-financial companies in five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, and Vietnam) during 2015–2023, with 1,083 firm-year observations. Sustainability disclosure is measured using the Refinitiv ESG Score, and the data are analyzed using panel data regression with EViews 12 software. The results show that foreign ownership has no significant effect on sustainability disclosure, suggesting that foreign investors have not fully encouraged sustainability reporting in ASEAN companies. Meanwhile, the existence of a sustainability committee has a positive and significant effect, confirming that internal governance mechanisms enhance corporate transparency and accountability. These findings support Stakeholder Theory and Agency Theory in explaining how governance structures and stakeholder pressures influence corporate sustainability reporting. This study contributes to academic literature and offers insights for regulators and corporate management to strengthen sustainability governance in developing ASEAN countries.

Keywords: Foreign Ownership, Sustainability Committee, Sustainability Disclosure, ESG, Corporate Governance, ASEAN.

INTRODUCTION

Sustainability disclosure has now become a focus of attention for researchers and practitioners around the world (Zarefar et al., 2024). Growing concerns about global warming and widening income inequality have raised questions about the role of modern business organizations in achieving sustainable economic growth and global social development

(Orazalin & Mahmood, 2021). Environmental issues, such as global warming, climate change, and pollution, have far-reaching impacts, disrupting not only the ecological balance but also economic and social systems .

Reporting on sustainability practices, in theory, enables companies to align their business activities with the Sustainable Development Goals *(SDGs)* and drive improved financial performance (Yang et al., 2021). In response to growing attention to sustainability issues, companies have begun adopting the *Environmental, Social, and Governance* (ESG) framework as part of their business strategy to assess commitments to environmental responsibility, social justice, and transparent governance while integrating sustainability and social responsibility principles into the company's value creation process (Yavuz et al., 2024). Demand for sustainability information from stakeholders, particularly investors, has increased significantly in recent years (Zhang et al., 2020).

According to findings in *the Evolution of Sustainability Reporting in Asia Pacific* (2022)and the *KPMG Survey of Sustainability Reporting* (2024), the Asia Pacific region, particularly ASEAN countries, holds a global leadership position in sustainability reporting levels among N100 companies. Singapore, Malaysia, and Thailand recorded near-perfect reporting levels of 99–100 percent, while Vietnam, Indonesia, and the Philippines have shown significant growth in sustainability reporting adoption in recent years. This demonstrates that awareness among large companies in ASEAN of the importance of environmental, social, and governance transparency has significantly increased. Adoption of international standards such as *the Global Reporting Initiative* (GRI), *the Task Force on Climate-related Financial Disclosures* (TCFD), and *the International Sustainability Standards Board* (ISSB) is expanding, in line with growing demands from global investors and increasingly prioritized sustainability principles in international supply chains.

One form of ownership structure that is highlighted in sustainability studies is foreign ownership , foreign ownership because it can effectively improve sustainability governance mechanisms. (Rustam & Wang, 2019). Foreign shareholders are a crucial pillar in achieving transparency and trust between companies and stakeholders (Al Amosh & Mansor, 2021). The presence of foreign ownership also raises stakeholder aspirations, lending legitimacy to corporate activities (Amosh, 2022). The expertise of foreign shareholders can direct corporate policies toward specific agendas, such as sustainability (Alkhawaldeh, 2012). Foreign shareholders generally come from countries with higher ESG awareness, thus bringing greater expectations for transparency and corporate social responsibility (Chakroun et al., 2017). These expectations encourage companies to increase sustainability disclosure, both to meet international standards and to strengthen their reputation and attract investment support (McGuinness et al., 2017).

This phenomenon aligns with the Stakeholder Theory , which states that companies must respond to demands from various stakeholders to maintain their legitimacy and operational continuity (Freeman, 1984). The selection of the foreign ownership variable in this study is based on the significant upward trend in *Foreign Direct Investment* (FDI) flows into the ASEAN region, indicating the growing involvement of foreign investors in corporate ownership structures. In 2023, ASEAN recorded a record FDI of USD 230 billion and accounted for 17 percent of total global FDI flows, up from 16.5 percent the previous year, making it the largest FDI recipient region globally (Unctad, 2024).

The characteristics of a CSR committee /sustainability committee include skills and knowledge in the field of CSR, being responsible for proposing company CSR regulations and strategies, ensuring the suitability of CSR functions and information systems, and monitoring the sustainability reporting process (Fuente et al., 2017). Based on the *Agency* Theory perspective , the existence of a CSR committee can also reduce agency problems that may occur and the CSR committee can play a role in increasing transparency by increasing

information disclosure. (Sekarlangit & Wardhani, 2021). Several studies have shown that the existence of this committee can improve the quality of sustainability disclosure and a company's environmental performance, especially if the committee is independent, active, and of sufficient size (Liao et al., 2015).

Previous research that examined the influence of foreign ownership and sustainability committees simultaneously generally showed consistent findings regarding the important role of corporate governance in driving sustainability practices. Adel *et al.* (Adel et al., 2018), in this study found that foreign ownership and the existence of a CSR committee have a significant positive influence on the quality of CSR disclosure. Bae *et al.* (Bae et al., 2018)found that foreign ownership and the presence of a CSR or environmental committee significantly improved environmental sustainability reporting performance. In contrast, a study by Latif *et al.* (Latif et al., 2023) In the context of the Malaysian plantation sector, results are more complex. Foreign ownership has a negative effect on the quality of sustainability disclosure, while the presence of a sustainability committee still has a positive impact. This difference highlights that sectoral and geographic contexts can influence the relationship between corporate governance factors and sustainability disclosure.

Findings regarding the influence of foreign ownership on sustainability disclosure show mixed results, particularly in studies using ESG measures. Some studies note a significant positive effect, while others report an insignificant or negative effect. The existence of a sustainability committee is considered to play a role in improving the quality of sustainability reporting, but its effectiveness has not been empirically consistent. Foreign ownership and sustainability committee variables are examined because both theoretically have significant implications for the quality of corporate sustainability disclosure, although available empirical evidence still shows inconsistencies (Nuhu, 2024).

Foreign ownership is assumed to encourage more transparent disclosure through the transfer of better governance practices and higher expectations for ESG reporting (Yavuz et al., 2024). Meanwhile, sustainability committees are viewed as an internal governance mechanism that can strengthen accountability and strategic attention to sustainability issues (Sekarlangit & Wardhani, 2021). The effectiveness of sustainability committees in practice is not expected to be universal, but rather depends on the company's internal characteristics, including organizational structure, resource support, and commitment to the sustainability agenda. Therefore, research on these two variables is important to broaden academic and practical understanding of the factors influencing the quality of sustainability disclosure.

The main focus of this research is directed at companies in the Energy, Utilities, Industrial and Materials sectors, This focus selection is also based on gaps in previous literature , particularly in the Southeast Asia (ASEAN) region . Furthermore, the rationale for selecting these sectors is also based on limitations in previous studies , particularly in the ASEAN region . Previous research in this region generally focuses on only one sector (Latif et al., 2023)or covers a combination of different sectors, and in some cases examines the entire sector without distinguishing sectoral characteristics (Kabir & Minh, 2021; Sekarlangit & Wardhani, 2021; Zarefar et al., 2024). This study offers a broader and more comprehensive approach, by examining four important sectors simultaneously in the ASEAN context.

In ASEAN countries such as Indonesia, Malaysia, Thailand, Vietnam, and Singapore, the implementation of ESG reporting in these sectors still faces challenges, ranging from weak regulations to suboptimal supervision from both internal and external sides (Abu Afifa & Nguyen, 2024). Academic literature related to ESG reporting in the ASEAN region is still limited , with most previous studies focusing on a single country , without providing a comprehensive overview of the ASEAN region as a whole (Amidjaya & Widagdo, 2020; Latif et al., 2023; Sekarlangit & Wardhani, 2021; Zarefar et al., 2024). There is still a research gap

in understanding cross-country ESG reporting practices in ASEAN, particularly in strategic sectors that have significant environmental and social impacts.

Study specifically aims to analyze the influence of foreign ownership and the existence of a sustainability committee on the level of sustainability disclosure in *Energy, Utilities, and Energy companies. Industrial* and *Materials* in six ASEAN countries, These six countries were chosen as the focus of the research because they already have comprehensive ESG data available on Refinitiv, which allows for a more in-depth analysis of sustainability disclosures in the region for the observation period 2015–2023.

METHODS

This study employs a quantitative research approach using secondary data to analyze the influence of foreign ownership and sustainability committee on sustainability disclosure among non-financial companies in ASEAN countries. The research population consists of firms listed in Indonesia, Malaysia, Singapore, Thailand, and Vietnam, while the sample is drawn from the energy, utilities, industrial, and materials sectors due to their high environmental and social impact. Data were obtained from the Refinitiv Eikon database covering the period 2015–2023, resulting in 1,083 firm-year observations after applying purposive sampling criteria.

The dependent variable, sustainability disclosure, is measured using the Refinitiv ESG Score, which reflects the extent of environmental, social, and governance information disclosed by firms. The independent variables are foreign ownership, measured as the proportion of shares owned by foreign investors, and sustainability committee, a dummy variable assigned a value of 1 if the firm has a sustainability committee and 0 otherwise. Several control variables are included—firm size, leverage, liquidity, and profitability—to account for firm characteristics that may influence disclosure behavior.

Data were analyzed using panel data regression models with the assistance of EViews 12 software. Three estimation models were considered: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Chow test, Hausman test, and Lagrange Multiplier test were used to determine the most appropriate model. Statistical analysis included descriptive statistics, coefficient of determination (Adjusted R^2), and hypothesis testing to examine the relationships among the research variables.

RESULTS AND DISCUSSION

Descriptive Statistics

Variable	Obs	Minimum	Maximum	Mean	Std. Deviation
FO	1.083	0.009913	99.89998	16.45364	21.45589
SC	1.083	0.000000	1.000000	0.797784	0.401838
SD	1.083	4.215055	92.01669	47.14499	18.77632
FS	1.083	14.17388	33.45924	20.93488	1.848127
LEV	1.083	2.29E-08	213.1736	0.475355	6.472148
LIQ	1.083	0.067035	37.83135	2.228970	2.644735
PROFIT	1.083	-1.303922	0.464349	0.030861	0.091338

Based on the descriptive statistics presented in Table, a total of 1,083 observations were obtained for all research variables, indicating considerable variation among ASEAN companies in terms of foreign ownership, the existence of sustainability committees, and the level of sustainability disclosure. The foreign ownership (FO) variable ranges from 0.009 to 99.89, with an average of 16.4536 and a standard deviation of 21.4558, showing wide disparities among

firms—ranging from those with almost no foreign investors to those predominantly owned by foreigners. The sustainability committee (SC) variable has values between 0.00 and 1.00, an average of 0.7978, and a standard deviation of 0.4018. The mean value close to 1 indicates that most firms have established sustainability committees, reflecting the growing emphasis on sustainability governance across the ASEAN region. The sustainability disclosure (SD) variable ranges from 4.2151 to 92.0167, with an average of 47.1450 and a standard deviation of 18.7763, suggesting substantial differences in disclosure levels among companies—some providing extensive sustainability information while others remain limited. Furthermore, the firm size (FS) variable ranges from 14.1739 to 33.4592, with a mean of 20.9349 and a standard deviation of 1.8481, indicating that the sample comprises both medium-sized and large firms. For the control variables, leverage (LEV) ranges from 0.0000000229 to 213.1736, with an average of 0.4754 and a high standard deviation of 6.4721, reflecting significant differences in capital structure across firms. The liquidity (LIQ**)** variable shows a range of 0.0670 to 37.8314, with an average of 2.2290 and a standard deviation of 2.6447, implying that most companies are capable of meeting their short-term obligations. Lastly, profitability (PROFIT) ranges from -1.3039 to 0.4643, with an average of 0.0309 and a standard deviation of 0.0913. The positive mean value indicates that, overall, ASEAN firms remain profitable, although a small portion still experiences losses.

Panel Data Regression Analysis

Dependent Variable: SD
Method: Panel Least Squares
Date: 09/04/25 Time: 19:55
Sample: 2015 2023
Periods included: 9
Cross-sections included: 273
Total panel (unbalanced) observations: 1083

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-144.4995	26.90167	-5.371397	0.0000
FO	-0.058448	0.044891	-1.301987	0.1933
SC	13.30759	1.031743	12.89817	0.0000
FS	8.697013	1.285562	6.765143	0.0000
LEV	0.129558	0.062416	2.075711	0.0382
LIQ	0.101921	0.175421	0.581005	0.5614
PROFIT	-11.98996	4.502024	-2.663238	0.0079

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	6.633626	R-squared	0.875066
Mean dependent var	47.14499	Adjusted R-squared	0.831867
S.D. dependent var	18.77632	S.E. of regression	7.699051
Akaike info criterion	7.137416	Sum squared resid	47657.41
Schwarz criterion	8.422282	Log likelihood	-3585.911
Hannan-Quinn criter.	7.623860	F-statistic	20.25675
Durbin-Watson stat	1.117272	Prob(F-statistic)	0.000000

Based on Table, the regression equation obtained is: SD = -144.4995 – 0.058448FO + 13.30759SC + 8.697013FS + 0.129558LEV + 0.101921LIQ – 11.98996PROFIT + e.

The equation indicates that when all independent variables are equal to zero, the sustainability disclosure (SD) value decreases by 144.4995. The foreign ownership (FO) variable has a negative coefficient of -0.058448, implying that higher foreign ownership tends to reduce sustainability disclosure. In contrast, the sustainability committee (SC) variable has a positive coefficient of 13.30759, suggesting that the existence of a sustainability committee significantly enhances sustainability disclosure. Among the control variables, firm size (FS) (8.697013), leverage (LEV) (0.129558), and liquidity (LIQ) (0.101921) all have positive coefficients, indicating that larger firms, higher leverage, and greater liquidity are associated with higher levels of disclosure. Meanwhile, profitability (PROFIT) shows a negative coefficient of -11.98996, meaning that firms with higher profitability tend to disclose less sustainability information.

Based on the hypothesis testing results presented in Table, several analyses were conducted, including the coefficient of determination, the simultaneous significance test (F-test), and the partial significance test (t-test). The coefficient of determination (R-squared) is 0.875, indicating that foreign ownership (FO), sustainability committee (SC), firm size (FS), leverage (LEV), liquidity (LIQ), and profitability (PROFIT) collectively explain 87.5% of the variation in sustainability disclosure (SD), while the remaining 12.5% is explained by other factors outside the model. The adjusted R-squared value of 0.832 further confirms that the model maintains a high explanatory power after adjustment, suggesting good model fit.The F-test results show a probability value (Prob > F) of 0.0000, which is less than 0.05, indicating that all independent variables jointly have a significant effect on sustainability disclosure.

The t-test results reveal that foreign ownership (FO) has no significant effect on sustainability disclosure, as indicated by a probability value of 0.1933. In contrast, the sustainability committee (SC) has a positive and significant effect (p = 0.0000), demonstrating its important role in enhancing sustainability disclosure. Firm size (FS) and leverage (LEV) also show positive and significant effects, with probability values of 0.0000 and 0.0382, respectively, implying that larger firms and those with higher leverage tend to disclose more sustainability information. Meanwhile, liquidity (LIQ) shows no significant effect (p = 0.5614), while profitability (PROFIT) has a negative and significant effect (p = 0.0079), suggesting that more profitable firms tend to provide less extensive sustainability disclosures.

CONCLUSION

This study investigates the effect of foreign ownership and sustainability committee on sustainability disclosure among non-financial companies in ASEAN during 2015–2023 using Refinitiv ESG data. The results show that foreign ownership has no significant effect on sustainability disclosure, indicating that the presence of foreign investors has not yet encouraged greater transparency in sustainability reporting. Meanwhile, the existence of a sustainability committee has a positive and significant effect on sustainability disclosure, confirming that internal governance mechanisms play an important role in enhancing corporate accountability and transparency.

These findings imply that strengthening internal governance structures, particularly through active sustainability committees, is more effective in improving sustainability disclosure than relying on external ownership influence. The results support Stakeholder Theory and Agency Theory, emphasizing that companies with stronger governance mechanisms are better able to meet stakeholder expectations and promote sustainable business practices in the ASEAN region.

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