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The Influence of Foreign Director and Audit Committee on Sustainability Reports with Family Ownership as Moderators in Primary Consumer Goods Companies SUB Food and Beverage Sector Listed on the Indonesia Stock Exchange

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A B S T R A C T

This study intends to examine the impact of audit committees and foreign director positions on sustainability reports in major consumer goods companies in the food and beverage subsector that are listed on the Indonesia Stock Exchange between 2022 and 2024, using family ownership as a moderating variable. The study employed a quantitative method with a causality design, using panel data regression analysis and secondary data from the company's sustainability and annual reports. The findings indicated that while audit committees had a favorable impact on sustainability reports, the foreign director's position had no effect.

Additionally, it has been demonstrated that family ownership increases the audit committee's influence on sustainability reporting while negatively moderating the impact of foreign directors' seats. These results confirm the significance of ownership arrangements and corporate governance practices in raising the caliber of company sustainability reporting.

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INTRODUCTION

Sustainability reports are becoming more and more significant to investors and stakeholders because they may demonstrate a company's commitment to environmental, social, and governance (ESG) issues. In addition to serving as a form of corporate accountability, this report is a strategic tool to increase transparency, reduce long-term risks, and improve the company's value and reputation. Businesses that integrate sustainability concepts into their operations are perceived as more robust and adaptive in the face of increasingly complicated economic and social variables.

Sustainability reporting is strengthened in Indonesia by the Financial Services Authority (OJK) Regulation Number 51/POJK.03/2017, which requires financial service institutions, issuers, and public companies to include environmental, social, and governance aspects in business strategies and corporate reporting. This regulation aims to advance both the creation of a sustainable financial system and national development. Even among major consumer goods companies in the food and beverage subsector that are listed on the Indonesia Stock Exchange (IDX), there are still significant disparities in the quality and consistency of sustainability reports between companies. As of the end of 2024, some companies have not finished their sustainability reporting responsibilities, according to OJK.

The diversity in the quality of the sustainability report is inseparable from the corporate governance element. The quality of sustainability reports may be enhanced by the inclusion of foreign directors, who are thought to contribute a global perspective, international experience, and more sophisticated reporting requirements. However, there may be difficulties due to cultural differences, comprehension of local laws, and internal business dynamics. The audit committee also plays a vital role in combating greenwashing and guaranteeing the legitimacy, accountability, and transparency of firm reports. However, the efficacy of the audit committee is not always in line with its nominal status in the corporate governance framework.

The family ownership structure is another important characteristic of Indonesian companies that can influence strategic decision-making, including the submission of sustainability reports. Family ownership can lead to dominant interests that affect the company's transparency, even if it usually has a long-term emphasis. As a result, family ownership may enhance or even lessen the impact of audit committees and foreign directors on the caliber of sustainability reports.

Another significant feature of Indonesian businesses that may have an impact on strategic choices, such as the submission of sustainability reports, is the family ownership structure. Even though family ownership typically has a long-term focus, it might result in dominant interests that impact the company's openness. Therefore, family ownership may either increase or decrease the influence of foreign directors and audit committees on the quality of sustainability reports.
mitigating factor in the main consumer goods businesses in the IDX-listed food and beverage subsector.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory holds that, in addition to shareholders, a company must answer to all parties engaged in its operations, including employees, clients, suppliers, the government, society, and the environment. The success and long-term sustainability of a business depend on its capacity to strike a balance between the interests of various stakeholders. The disclosure of environmental, social, and governance data in sustainability reporting is based on this notion, which also functions as a means of corporate accountability to stakeholders and establishes public legitimacy and confidence.

Sustainability Report

Sustainability reports convey the environmental, social, and governance (ESG) facets of a business's non-financial performance. This report reduces information asymmetry, increases transparency, and aids stakeholders in assessing the company's dedication to sustainable development. Sustainability reporting has become more significant in Indonesia as a result of the adoption of OJK guidelines, which push public companies to include sustainability principles into their strategy and reporting. The degree to which businesses incorporate sustainability principles into their operations is demonstrated by the caliber of sustainability reports.

Foreign Director Position

A foreign director is a non-domestic member of the board of directors having international experience and background. It is believed that foreign directors can offer a global perspective, cross-border experience, and more complex governance and transparency requirements. In the context of sustainability reporting, foreign directors have the power to promote the adoption of better ESG practices and more thorough information disclosure. However, cultural, legal, and regulatory differences may affect how well foreign directors contribute to improving the quality of sustainability reports.

Audit Committee

As part of corporate governance, the audit committee helps the board of commissioners manage risk, internal control, and financial reporting. It is anticipated that an effective audit committee will be able to verify the validity and reliability of the data the organization generates, including sustainability reports. The independence, expertise, and regularity of audit committee meetings are crucial to performing the supervisory function. Even if the audit committee was formally constituted in accordance with the requirements, empirical research is still required to determine its effectiveness in raising the bar for sustainability reports.

Family Ownership

The phrase "family ownership" refers to an ownership structure where a single family controls a significant portion of the company, either by holding the majority of the shares or by directly participating in management and the board of directors. Long-term planning and maintaining their reputation over generations are common priorities for family-owned firms. In an attempt to protect the company's reputation, family ownership might encourage better disclosure in the context of sustainability reporting. However, family dominance may also lead to less transparency if family interests are given precedence over those of other stakeholders.

Previous Research and Hypothesis Development

Previous research on the influence of audit committees and foreign directors on sustainability reporting has yielded mixed results, including positive, negative, and insignificant results. The features of the business, the industry, and the institutional environment of each nation all influence the variation in outcomes. Additionally, most research has not taken family ownership into account as a moderating factor, especially when it comes to core consumer goods companies in Indonesia's food and beverage subsector. Thus, by researching the function of family ownership in moderating the influence of audit committees and foreign director posts on sustainability reporting, this study bridges the research gap.

METHODOLOGY

Research Design

This study examines the cause-and-effect relationship between independent and dependent variables using a quantitative method and a causality research design. Secondary data that has been objectively and statistically tested is employed. The study intends to look into how audit committees and foreign director positions affect sustainability reports, as well as the moderating effect of family ownership.

Population and Sample

All major consumer goods companies in the food and beverage subsector that were listed on the Indonesia Stock Exchange (IDX) between 2022 and 2024 make up the study's population. When employing purposeful sampling in the sample selection procedure, the following standards are used:

1. the business generates yearly reports and/or sustainability reports;
2. the business is registered continuously during the observation period; and
3. possess comprehensive information that aligns with the research variables. Companies that did not meet these criteria were excluded from the study sample.

Data Sources and Collection Technique

The company's annual report and sustainability report, which are available on each company's website as well as the Indonesia Stock Exchange's official website, provided the research data. Information on the audit committee, shareholding, the board of directors' structure, and the disclosure of sustainability reports were all tracked using a documentation technique.

Variables and Measurement

The study's dependent variable is the sustainability report, which is evaluated according to how much of the company's sustainability data is disclosed. Independent variables include the following:

1. The Foreign Director position, which is determined by the percentage of foreign directors on the company's board of directors.
2. The Audit Committee is determined by the size of the business.
3. Family ownership, which is the moderation variable according to the share ownership structure, is evaluated using a dummy variable with a value of 0 for a non-family firm and 1 for a company with family ownership.

Data Analysis Method

For data analysis, cross-sectional and time series data were combined using the panel data regression approach. The regression models used in this investigation were the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Chow, Hausman, and Lagrange multiplier tests are used to determine the best model.

Classical Assumption Tests

To make sure the regression model satisfied the criteria of the Best Linear Unbiased Estimator (BLUE), a traditional assumption test comprising a normality test, a multicollinearity test, and a heteroscedasticity test was performed before hypothesis testing. The test results demonstrate that the regression model can be used for additional analysis.

Hypothesis Testing

A statistical test F was used to determine the simultaneous influence of independent variables, and a statistical test t was used to determine each independent variable's partial influence on the dependent variable. This study employed a significance threshold of 5%. Additionally, the degree to which independent factors account for variances in sustainability reports is evaluated using the determination coefficient (R2).

RESEARCH RESULT

Results of Descriptive Data Analysis

Table 1. Descriptive Statistical Analysis Results

Variabel	Minimum	Maximum	Mean	Std deviation
Report on Sustainability	0,000	0,868	0,288	0,324
Position of Foreign Director	0,000	0,800	0,080	0,185
Committee for Audit	4	3	3,008	0,090
Ownership by Family	0	1	0,414	0,494

Source: Data processed, 2025

The observation data for this study consists of 123 samples of primary consumer goods companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange, according to Table 4.1 of the previously described descriptive statistical test. The following is a description of the descriptive statistical analysis data that was processed as follows:

The sustainability report variable has a minimum value of 0.000 and a maximum value of 0.868, according to descriptive statistics. This illustrates that not all businesses have high sustainability disclosure scores—some don't report at all. The average level of sustainability disclosure is still low, as indicated by the mean value of 0.288.

Meanwhile, the 0.324 standard deviation indicates that businesses' sustainability reports differ significantly. This suggests that there is a considerable gap between businesses who provide thorough sustainability reports and those who just issue fairly basic ones.

The descriptive values of the foreign director position variable range from a minimum of 0.000 to a maximum of 0.800, meaning that not all companies have foreign directors and that the highest percentage of foreign directors in a company is 80%. With a mean value of 0.080, the average percentage of foreign directors is incredibly low, suggesting that their participation is not customary. A modest fraction of organizations have foreign directors, but the majority do not, according to the standard deviation of 0.185, which suggests a moderate variance amongst businesses.

The audit committee variables' descriptive results have minimum and maximum values of 4 and 3, respectively, but this number seems to be inverted (logically, the minimum should be ≤ maximum). The average number of 3.008 makes it evident that the audit committee usually consists of three members. The standard deviation of 0.090 shows that, in accordance with general laws, almost all firms have a fairly equal number of audit committee members (usually three). This illustrates how consistent and stable the corporate governance structure is.

The descriptive results for the family ownership variable, which have a minimum value of 0 and a maximum value of 1, demonstrate that the sample's enterprises range from those that are fully owned by the family to those that are not at all. A mean of 0.414 suggests that family ownership takes up roughly 41.4% of the average ownership structure. The standard deviation figure of 0.494, which indicates considerable variation, indicates that some businesses are truly family-run, while many have no family ownership at all.

Classical Assumption Test Results

Normality Test Results

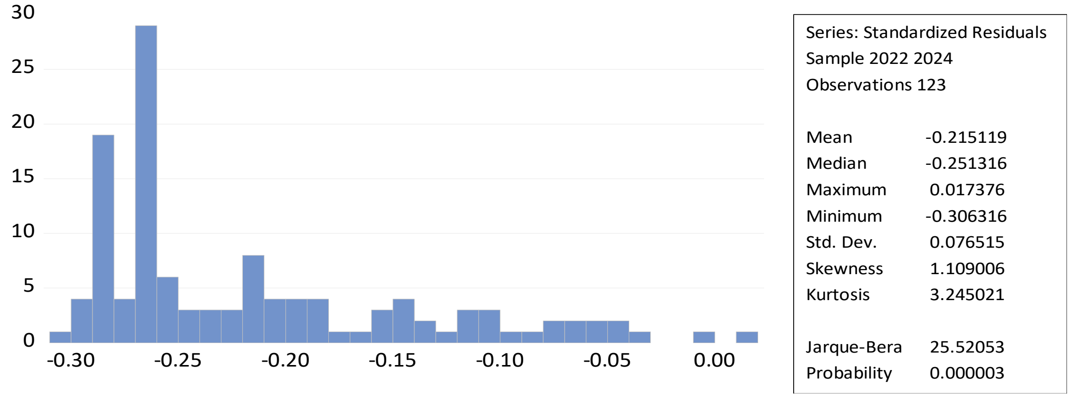

Figure 1. Normality Test Results

According to the test results, the residual is not distributed normally since Jarque Bera's value is 25.52053 with a probability of 0.000000, which is less than α 0.05. Some people do not believe that this criteria must be fulfilled because the normalcy test is essentially not a BLUE (Best Line Unbiased Estimator) condition.

Multicollinearity Test Results

Table 2. Multicollinearity Test Results

	X_1	X_2	M
X_1	1	0.1462	-0.0448
X_2	0.1462	1	-0.0886
M	-0.0448	-0.0886	1

Source: Data processed, 2025

If there is no independent or independent correlation variable of any independent variable < 0.85, the multicollinearity test results do not reject H0, as shown in Table 2 above. Consequently, it can be concluded that the regression model used in this investigation does not show signs of multicollinearity.

Heterokedasticity Test Results

Table 3. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,222380	0,084884	2,619810	0,0099
X_1	-0,008855	0,023454	-0,377557	0,7064
X_2	0,028030	0,028523	0,982706	0,3023
M	-0,010547	0,020706	-0,509366	0,6114

Source: Data processed, 2025 (Data processed)

The sustainability report does not exhibit heteroscedasticity, according to the results of the heteroscedasticity test using the Glejser test, where the probability value obtained is identical to each variable above 0.05. A competent regression model does not exhibit heteroscedasticity.

Panel Data Test Results

Cross-sectional and time series data types are combined in panel data regression (Ghozali and Ratmono, 2017:232). The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) must all be evaluated using the panel data regression method in order to determine the optimal approach:

Common Effect Model (CEM)

Table 4. Common Effect Model (CEM) Regression Results

Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	0,664375	0,261844	2,537293	0,0116
X_1	0,106012	0,066822	1,586473	0,1153
X_2	0,066668	0,081265	0,820373	0,4136
M	0,020519	0,058994	0,347819	0,7286
Root MSE	0,318546	R-squared		0,029980
Mean dependent var	0,288569	Adjusted R-squared		0,005526
S,D, dependent var	0,324754	S,E, of regression		0,323855
Akaike info criterion	0,614940	Sum squared resid		12,48099
Schwarz criterion	0,706393	Log likelihood		-33,81882
Hannan-Quinn criter,	0,652088	F-statistic		3,225967
Durbin-Watson stat	0,255068	Prob(F-statistic)		0,013382

Source : Data processed, 2025

Family ownership, audit committees, and foreign directors influence 66.4% of sustainability reports, with the remaining 33.6% being influenced by factors not included in this study, according to the Common Effect Model (CEM) regression analysis, which yields a constant value of 0.664 with a probability of 0.011.

Fixed Effect Model (FEM)

Table 5. Fixed Effect Model (FEM) Regression Results

Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	0,297440	0,110537	2,690860	0,0087
X_1	0,037095	0,039241	0,945301	0,3474
X_2	-0,027023	0,035516	-0,768014	0,4448
M	0,143135	0,082679	1,731225	0,0873
Root MSE	0,092526	R-squared		0,918160
Mean dependent var	0,288569	Adjusted R-squared		0,873614

S, D, dependent var	0,324754	S, E, of regression	0,115453
Akaike info criterion	-1,207204	Sum squared resid	1,053013
Schwarz criterion	-0,201220	Log likelihood	118,2431
Hannan-Quinn criter,	-0,798576	F-statistic	20,61160
Durbin-Watson stat	2,373583	Prob(F-statistic)	0,000000

Source: Data processed, 2025

It displays a constant value of 0.297 with a probability of 0.008 based on the Fixed Effect Model regression data. The likelihood level resulting from the influence of audit committees, family ownership, and foreign directors' seats on sustainability reports was 29.7%, according to the regression equation with a value of 0.297. The remaining 70.3% were affected by additional factors not covered in this study.

Random Effect Model (REM)

Table 6. Random Effect Model (REM) Regression Results

Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	0,301513	0,117606	2,563751	0,0116
X_1	0,049454	0,037597	1,315387	0,1909
X_2	-0,020812	0,035123	-0,592526	0,5546
M	0,086520	0,064239	1,346841	0,1806
Root MSE	0,113610	R-squared		0,034042
Mean dependent var	0,060952	Adjusted R-squared		0,009690
S,D, dependent var	0,116068	S,E, of regression		0,115504
Sum squared resid	1,587603	F-statistic		1,397917
Durbin-Watson stat	1,613111	Prob(F-statistic)		0,246866

Source : Data processed, 2025

A constant value of 0.301 with a probability of 0.001 is displayed in the Random Effect Model regression results. The regression equation shows that foreign directors, audit committees, and family ownership have an impact on sustainability reports at a likelihood level of 30.1%, with a comparatively low value of 0.301. Other factors not covered in this study have an impact on the remaining 69.9%.

Panel Data Regression Model Results

The Random Effect Model (REM), Fixed Effect Model (FEM), and Common Effect Model (CEM) were the three estimating techniques used in this investigation. with the intention of using the Lagrange multiplier (LM), Hausman, and Chow tests to determine which model is most suitable. The description is as follows:

Chow Test

Table. 7 Chow Test Results

Effects Test	Statistic	d, f,	Prob,
Cross-section F	21,433974	(40,79)	0,0000
Cross-section Chi-square	304,123779	40	0,0000

Source: Data processed by E-Views, (2024)

The probability value at the cross-section F (0.000) < a (5% = 0.05) indicates that Ho is rejected whereas Ha is approved, according to Table 7 above, which details the Chow test results. This implies that the Fixed Effect Model is the study's most effective model.

Hausman Test

Table 8. Hausman Test Results

Test Summary	Chi-Sq, Statistic	Chi-Sq, d,f,	Prob,
Cross-section random	3,106412	3	0,3755

Source: E-Views diola data, 2025

Table 8 above displays the results as probability values in random cross-sections, where the number (0.3755) > a (5% = 0.05) denotes that Ha is rejected and Ho is approved. This implies that the best model for this research is the Random Effect Model.

Uji Lagrange Multiplier (LM)

Table 9. Lagrange Multiplier (LM) Test Results

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	89,55999	1,378041	90,93803
	(0,0000)	(0,2404)	(0,0000)

Source: Data processed by E-Views, 2024

According to Table 9, the results of the Lagrange Multiplier test indicate that rejection is implied by the Breusch-Pagan cross section probability value of 0.000 < 0.05. As a result, the best suited model for constructing regression equations is the Random Effect Model (REM).

Analysis of the Regresi Linier Data Panel

Pengujian Hypothesis

Table 10. The Influence of Independent Variables on Sustainability Reports

Variable	Coefficient	Std, Error	t-Statistic	Prob,
C	0,312	0,098	3,159	0,009
X_1	0,023	0,057	0,408	0,683
X_2	0,293	0,117	2,498	0,013
X_1*M	-0,234	0,056	-4,123	0,000
X_2*M	0,349	0,049	7,100	0,000
Root MSE	0,111	R-squared		0,748
Mean dependent var	0,059	Adjusted R-squared		0,707

S, D, dependent var	0,115	S, E, of regression	0,414
Sum squared resid	2,539	F-statistic	34,187
Durbin-Watson stat	2,595	Prob(F-statistic)	0,000

Source: Research Results,2025 (Data processed)

Y = 0,312 + 0,023X1it + 0,293X2it – 0,234X1Mit + 0,349X2Mit is the multiple regression equation derived from the Eviews findings shown in the above table.

Correlation and Determination Coefficient (R2)

The correlation value of 0.748 derived from the analysis in Table 4.10 indicates a substantial link between the features of family ownership as a moderating variable and the position of foreign directors and the audit committee on the sustainability report. The association between independent and dependent variables is 74.8%, as this chart indicates. A determination coefficient value (R2) of 0.707 implies that the foreign director and audit committee positions, with family ownership serving as the moderating variable, may explain 70.7% of the variation in sustainability reports. Other variables that were not examined in this study, such as solvency, liquidity, debt, and company size, had an impact on the remaining 29.3%.

Uji Hypothesis

The test results in Table 10 demonstrate that the foreign director's position has no effect on sustainability reports, rejecting the alternative hypothesis with a significant value of 0.683 (> 0.05). Nonetheless, the audit committee had a positive effect on the sustainability report, with a significance value of 0.013 (< 0.05), indicating that the company's sustainability report was of higher quality after the audit committee was included.Additionally, the moderation test results revealed that family ownership had a negative moderating effect on the influence of foreign directors' positions on sustainability reports, with a significant value of 0.000 (< 0.05). In the meantime, a significant value of 0.000 (< 0.05) indicates that family ownership improves the audit committee's performance in family-owned businesses by increasing its influence on sustainability reporting.

DISCUSSION

The Influence of Foreign Director's Position on Sustainability Reports

The study's findings reveal that the sustainability reports of key consumer goods businesses in the food and beverage subsector on the Indonesia Stock Exchange are not positively impacted by the position of foreign director.

These findings corroborate the assertions of Aman et al. (2021) and Naim and Alomair (2024) that foreign directors have minimal impact on the quality of sustainability reports. The results of the study show that the position of foreign director has no positive effect on the sustainability reports of major consumer goods companies in the food and beverage subsector on the Indonesia Stock Exchange. These results support the claims made by Naim and Alomair (2024) and Aman et al. (2021) that foreign directors have little effect on the caliber of sustainability reports.

The Influence of the Audit Committee on Sustainability Reports

The study's findings demonstrate that the audit committee enhances sustainability reports. These results align with those of Saputri et al. (2024) and Josua and Septiani (2022). The audit committee is crucial for monitoring the integrity of the reporting process, guaranteeing the precision and comprehensiveness of ESG data, and reducing the possibility of greenwashing. Stakeholder confidence in the company's transparency is bolstered by the audit committee's impartial scrutiny, which also lends credibility to sustainability reporting (Tambunan, 2021).

The Influence of Foreign Director's Position on Sustainability Reports with Family Ownership as a Moderator

The results show that family ownership negatively moderates the effect of foreign director positions on sustainability reports. These findings align with those of Sahu et al. (2025). Family ownership lessens the impact of limits on foreign directors through stricter control and the company's long-term focus. Stronger governance standards are promoted by reputational values, cross-generational sustainability, and family emotional attachment in order to link the function of foreign directors with the company's sustainability interests (Farooque et al., 2020; Sulimany & Alshareef, 2024).

The Influence of the Audit Committee on Sustainability Reports with Family Ownership as a Moderator

The study's findings also showed that family ownership strengthened the audit committee's positive impact on sustainability reporting. These findings are consistent with Sahu et al. (2025). Family firms' long-term focus and reputation sensitivity inspire greater support for audit committees' role in maintaining accountability and transparency. The effectiveness of this moderation, however, will depend on the family's commitment to sustainability and corporate ethics. When family values align with ESG principles, audit committees can function more independently and effectively; on the other hand, some families' interests may limit the supervisory role (Farooque et al., 2020).

CONCLUSIONS

The following conclusions can be made by the author based on the testing, processing, and data analysis results:

1. The sustainability report of major consumer goods businesses in the food and beverage subsector listed on the Indonesia Stock Exchange is unaffected by the foreign director's status.
2. The sustainability reports of major consumer goods companies in the food and beverage subsector that are listed on the Indonesia Stock Exchange are positively impacted by the audit committee.

3. Family ownership might lessen the influence of foreign directors' positions on sustainability reports in major consumer products companies in the food and beverage subsector listed on the Indonesia Stock Exchange.
4. Family ownership might lessen the audit committee's influence on sustainability reports in major consumer goods companies in the food and beverage subsector listed on the Indonesia Stock Exchange.

RECOMMENDATIONS

The author would like to offer the following suggestions in view of the research and findings mentioned above:

1. To improve the effectiveness of corporate governance, it is advised that businesses in the primary consumer goods sector, particularly the food and beverage subsector, strengthen the involvement of audit committees in the creation of sustainability reports. Businesses must ensure that audit committee members are capable, independent, and meet regularly enough to provide thorough supervision of environmental, social, and governance (ESG) issues since audit committees have been demonstrated to increase the quality of sustainability reports.
2. It is recommended that investors focus on corporate governance aspects, particularly the presence of a robust audit committee, since these criteria have been demonstrated to enhance the caliber of sustainability reports. Examining a company's sustainability report can reveal its commitment to long-term risk management, operational stability, and commercial sustainability.
3. After that, it is advised that researchers map the characteristics of foreign directors more thoroughly or add more factors. For example, research may consider factors such as tenure, educational background, international experience, or the level of involvement of foreign directors in the company's activities. This is important since different foreign directors have varying capacities and degrees of flexibility when it comes to understanding Indonesia's legal framework and environmental issues. As a result, further investigation can pinpoint the factors influencing their positions' performance.
4. To identify which elements are most effective in determining the standard of sustainability reporting, future studies may take into account indicators like audit committee member expertise, meeting frequency, and degree of independence. Cross-sector comparisons are also necessary to determine whether the relationship is exclusive to the food and beverage sector or generally applicable to other Indonesian businesses.
5. In order to ascertain whether family ownership moderation has a universal effect or is restricted to certain circumstances, particularly in Indonesia's major consumer goods companies, the study can extend the sample to other industries or countries. Therefore, further research can

provide a more comprehensive knowledge of how family governance dynamics affect the quality and consistency of sustainability reports.

ADVANCED RESEARCH

The following are some of the limitations of this study that the next researcher should take into account:

1. This study ignores other factors that may also have an impact on sustainability reports, such as market sentiment, industry trend conditions, and other external factors, by concentrating solely on the variables of foreign directors' positions, audit committees, family ownership, and sustainability reports.
2. The key consumer goods firms in the food and beverage subsector that are listed on the Indonesia Stock Exchange between 2022 and 2024 are the focus of this study. hence it doesn't include historical data long enough to discover long-term trends, hence the results are restricted to a short period of time.
3. In this study, to evaluate family ownership using the numbers 0 and 1 based on the digitizing keyword search.

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