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The Influence of Firms' Internationalisation and Foreignness of the Board on Sustainability Reporting: Evidence from Vietnam

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Abstract

This research explores whether internationalization and the foreignness of the board of directors, two important international forces, motivate firms to issue sustainability reports in the context of Vietnam, a developing country. This study uses pooled and fixed effect multinomial logit regressions with a sample of 200 Vietnamese listed firms and 1387 firm-year observations from 2014 to 2020 to analyze the relationships. The empirical results show a consistently positive relationship between a firm's internationalization and sustainability reporting (SR) in Vietnam, while the board foreignness is not related to sustainability reporting. These findings indicate that when firms expand their business to foreign countries where sustainable development has been highly appreciated and adopted, they need to clarify their business operations within the acceptable range of social values by issuing sustainability reports. Meanwhile, there is no evidence that foreign directors transfer SR practices from their home countries to Vietnamese firms, as Vietnam still has a weak legal framework and a weak culture of SR. While consensus on whether internationalization and board foreignness are related to SR remains inconclusive in the literature, previous studies are few and generally investigate these relationships in countries with high levels of economic development. Our study provides evidence about these relationships in a low-to middle-income country. Our findings thus support the legitimate and institutional theories. In addition, our findings also identify the role of specific external stakeholder groups, thus expanding our understanding of the contexts in which firms issue sustainability reports. Our research, therefore, has implications for policymakers and firm decisionmakers.

Keywords: Internationalization, Foreignness of the Board, Global Reporting Initiative, Sustainability Reporting
JEL Classifications: F68, G34, G38

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1. Introduction

Due to rising concerns about environmental issues, human rights, and income disparity, a wide range of stakeholders, including workers, consumers, journalists, suppliers, associations, residents, shareholders, and the state, are increasingly concerned about sustainability (Bapuji et al., 2018; Kolk et al., 2017). The increasing sustainability-related concerns have urged companies to be actively involved in solving current challenges stemming from their business operations and justify their ways of earning profit within the tolerable standards and merits of the stakeholders (Bose et al., 2018; Pope & Lim, 2020). The number of companies spending a lot of resources on their sustainability disclosure has increased and thus formed a sustainability reporting culture in the business community, spreading from developed countries to developing countries. For example, according to the Global Survey of Sustainability Reporting 2022, sustainability reporting is growing incrementally, and 96% of the world's leading 250 companies report on sustainability (KPMG, 2022).

While numerous studies have investigated the drivers of issuing sustainability reports, only a few determinants, such as firm size, media visibility, and ownership structure, have reached a consensus (see Dienes, Sassen, and Fischer, 2016, for example, for a review). Meanwhile, due to globalization, international forces have become more and more important mechanisms that shape firms' reporting behaviors, but the relationship between the international forces and sustainability reporting remains inconclusive. International forces have an effect on sustainability reporting through the activism of multinational enterprises, the activism of international organizations, and the increasing interests of different stakeholders such as customers, investors, regulators, and communities (Kercher, 2007). In this study, we explore whether and how firms' internationalization and boards' foreignness, two important dimensions of international forces, affect sustainability reporting in Vietnam.

Firms' internationalization is more widespread today due to globalization, but one of the most popular obstacles for a firm during its internationalization process is gaining legitimacy from different stakeholders in host countries. Therefore, firms must attempt to develop their activities and strategic responses to the norms of acceptable behaviors in other social systems (Dowling & Pfeffer, 1975; Kostova & Roth, 2002; Kostova & Zaheer, 1999). These firms thus need to communicate their superior position in the market in order to promote a positive impression among the stakeholders (Kuzey & Uyar, 2017; Orazalin & Mahmood, 2018). However, empirical studies are rare and mixed. Some studies (Chapple & Moon, 2005; Araya, 2006; Vormedal & Ruud, 2009) observe that in their samples, firms with internationalization activities have a higher proportion of sustainability reporting than their counterparts. Park (2018) investigated the corporate sustainability of South Korean multinational enterprises and found that internationalization could be both good and bad for corporate sustainability (CS).

Similarly, there are two reasons why the foreignness of the board is related to sustainability. According to El-Bassiouny & El-Bassiouny (2019), boards with foreign members face pressure to integrate CS agendas into their strategies from a wider range of audiences and stakeholders. A board with a high ratio of foreign members reflects a more independent level and therefore enhances the controlling and monitoring tasks to meet the needs of different stakeholders. Research on 201 listed firms in Malaysia by Amran & Haniffa (2011) demonstrates no association between managing directors acquiring international working experience or foreign education and sustainability reporting. Barako & Brown (2008) and Sharif & Rashid (2014) found a positive but statistically insignificant relationship between foreign members on the board and corporate social and environmental performance. On the contrary, Katmon et al. (2019) reported that the quality of CSR disclosure is negatively and significantly associated with board nationality diversity. Cho et al. (2021) found that while US companies have more advanced corporate social responsibility (CSR) practices and disclosure, they do not tend to impose their practices on their Polish subsidiaries.

We do this investigation in Vietnam for several reasons. Firstly, other countries, especially the developed, have built the legal framework and culture that promote sustainability reporting for ages. Globally renowned multinational enterprises from more developed countries such as Norway, South Korea, and the US have been used to the high requirements and expectations of issuing sustainability reports in their home countries and various foreign markets for many years. Meanwhile, the Vietnamese government has recently provided the legal framework for sustainability reporting of local companies since 2015[1]. In addition, Vietnamese firms, coming from a transition economy, are starting to do business internationally. When going beyond the domestic markets, they are under higher pressure to apply sustainability reporting from stakeholders, especially from their customers in foreign markets. We, therefore, hypothesize that Vietnamese firms need to clarify their business operations within the acceptable range of social values from host countries because their homeland is considered not fully developed in terms of institutional progression, quality of infrastructure, and/or market mechanism development (Hoskisson et al., 2013). Similarly, we also hypothesize that the board's foreignness can apply reporting practices from their home countries to firms in Vietnam. Differences in this aspect, therefore, indicate that the influence of internationalization and the board's foreignness on sustainability reporting should be investigated in the context of Vietnam, as a typical case of globalization of sustainability reporting practices.

This paper's remainder is structured as follows: Section two provides literature and hypothesis development. Section three presents the research method that describes the variables chosen, sources of their data, and econometrics methods used in this study, followed by the empirical result analysis and discussion in Section four. The last section is the conclusion.

2. Hypothesis Development

2.1 Sustainability and Sustainability Reporting

According to the World Commission on Environment and Development (WCED, 1987), sustainability can be defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED, 1987, p. 16). As a result, sustainability is not just about environmentalism but also concerning about social equity and economic development. Sustainability reporting can

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[1] [1] The concept of "sustainable development" was introduced in Vietnam in the late '80s and early '90s and has become more popular and important to local firms in recent years, especially since the promulgation of Circular numbered 155/2015/TT-BTC. The circular has been implemented in 2015, successfully building the basic legal framework for publishing sustainability reports in Vietnam (International Finance Corporation, 2013) and thus stimulating local companies to publish their sustainability reports using GRI standards annually. GRI standards are globally recognized standards issued by the Global Reporting Initiative (GRI), which help organizations disclose their sustainability reports with superior consistency and comparability among diverse nations (Kuzey & Uyar, 2017).

be generally classified as uncomprehensive sustainability reporting or comprehensive sustainability reporting. The former includes several types that take only social and/or environmental issues into account, while the latter refers to three sustainability dimensions (economic, environmental, and social) (Dienes et al. 2016). Reporting practice has changed since the 1970s (Fifka & Drabble, 2012; Hahn & Kühnen, 2013), when financial reporting has been complemented by social reports (Cormier & Gordon, 2001) or, since the 1980s, by environmental reports (Clarkson et al., 2008; Cormier et al., 2005).

2.2. Underlying Theories of Sustainability Reporting

2.2.1 Theories

Recent years have seen a notable increase in the use of sustainability reports as an effective tool for greater corporate transparency and accountability (Dhaliwal et al., 2012). These reports encompass ethical, social, and environmental dimensions of a company's operations (Martínez-Ferrero et al., 2016). Literature provides alternative theories to explain the motivations of CSR and sustainability reporting, mainly stakeholder theory, legitimacy theory, institutional theory, and signaling theory.

Legitimacy theory and institutional theory both focus on the relationship between the organization and its operating environment. Legitimacy theory operates at an overall level, positing that organizations are continually seeking ways to ensure that they operate with the values and norms of their respective societies (Deegan, 2000). Legitimacy can be considered ‘a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’ (Suchman, 1995, p. 574). Institutional theory is also complementary to legitimacy theory in explaining the disclosure of sustainability reports. Deegan (2014) argued that institutional theory explains how firms understand and respond to the differences in institutions across countries or regions. More specifically, one of these responses is that firms adapt their organizational practices (such as accounting and corporate reporting) to the values and norms of the society in which they operate to maintain organizational legitimacy.

Stakeholder theory is also closely related to legitimacy (Freeman, 1984; Mitchell et al., 1997). However, stakeholder theory points out the need for ‘identification of those societal interest groups to whom the business might be considered accountable and therefore to whom firms need to provide adequate information for those groups of people’ (Woodward et al., 2001). This theory, thus, indicates that the interests of stakeholders can conflict with each other, and thus firms need to focus on more important groups of stakeholders in providing information. According to Deegan & Blomquist (2006), while legitimacy theory discusses the expectations of society in general, stakeholder theory provides a more refined resolution by referring to particular groups within society (stakeholder groups).

These three theories should not be regarded as clearly distinct, but it is more appropriate to regard them as overlapping perspectives on how firms are accountable to their relevant stakeholders[2] (Deegan, 2000; Gray et al., 1995). Fernando & Lawrence (2014) reviewed the association between relevant theories and corporate sustainability and argue that three system-oriented theories, namely legitimacy theory, stakeholder

[2] Freeman (1984) defines stakeholders as any group or individual who can affect or is affected by the achievement of the firm’s objectives.

theory, and institutional theory, are integrated into deriving predictions for a firm's corporate social responsibility.

The signaling theory is also complementary to the above theories in explaining why firms issue sustainability reports. Signaling theory mainly focuses on actions that insiders take to intentionally communicate positive, imperceptible qualities of insiders. Firms can gain legitimacy by signaling their unobservable quality to prestigious boards of directors (Certo et al., 2001) or prestigious top managers (Lester et al., 2006). Somewhat related, others have described how firms attempt to gain a positive reputation over time as a signal of underlying quality (Coff, 2002; Deephouse, 2000).

2.2.2. Relationship between internationalization and sustainability reporting

Legitimacy and signaling theories underpin the explanations of the relationship between firms' internationalization and sustainability reporting. According to legitimacy theory, the organization's actions are expected to be appropriate with recognized constructed arrangements of social norms, beliefs, and values (Suchman, 1995). Meanwhile, the most popular obstacle for a firm during its internationalization process is gaining legitimacy from different stakeholders when operating the business in various countries. Hence, firms attempt to develop their activities and strategic responses to the norms of acceptable behaviors in the larger social system in which they operate (Dowling & Pfeffer, 1975). In addition, firms turning to global expansion serve more diverse stakeholders than their domestic ones (Kostova & Roth, 2002) and thus need to put more effort into sustaining their legitimacy towards globally related parties and foreign audiences in the host countries (Park, 2018).

The signaling theory suggests that companies voluntarily disclose more economic, environmental, and social information to communicate their superior position in the market in order to promote a positive impression among the stakeholders (Kuzey & Uyar, 2017; Orazalin & Mahmood, 2018). The importance of sustainability report practices in meeting global stakeholder expectations and demonstrating organizational legitimacy is widely recognized. As a result, an increasing number of firms, particularly those from developing countries with ambitions to enter developed markets, commit resources to disclosing their sustainability information when expanding beyond their domestic markets.

Several empirical studies investigate the association between internationalization and sustainability reporting, but their findings are mixed. Previous studies (such as Chapple & Moon, 2005; Araya, 2006; Vormedal & Ruud, 2009) suggest that firms with international sales orientation or foreign ownership are more likely to provide disclosures. They find that in their samples (without controlling for firm-level characteristics and industry-level characteristics), there is a higher proportion of firms with internationalization activities issuing sustainability reporting. Park (2018) investigated the corporate sustainability of South Korean multinational enterprises and found that internationalization could be both good and bad for CS.

2.2.3. Relationship between foreignness of decision-makers and sustainability reporting

Similarly, legitimacy and stakeholder theories support the roles of the foreignness of the boards in sustainability reporting. The board of directors is the backbone of the corporate governance structure and is responsible for protecting the interests of stakeholders in the corporation through developing its strategic directions and monitoring managerial activities. The board of directors is then responsible for the firm's decision to invest in sustainability activities (Rao & Tilt, 2016). Traditionally, corporate governance has been intended as a model designed to protect shareholders from opportunistic behaviors by managers. In recent years, however, governance has been increasingly applied to a more extensive form of monitoring corporate activities, protecting the benefits for different stakeholders, including the whole society in general, and hence associating corporate sustainability with stakeholder requests. The need to meet the regulatory evolution and to improve the image and reputation in the eyes of consumers urges firms to be more concerned about the environment and other social responsibilities (Naciti et al., 2021). As a result, the board of directors needs to assure that the firm's strategic direction is compatible with the emerging needs of these stakeholders.

There are two reasons why the foreignness of the board is related to sustainability. According to El-Bassiouny & El-Bassiouny (2019), boards with foreign members face pressure from a wider range of audiences and stakeholders to integrate CS agendas into their strategies. Furthermore, Watson et al. (1993) indicate that diversity in observable attributes (nationality and ethnicity) might reinforce cognitive consequences such as the degree of cooperation in complex duties and the quality of ideas. A board with a high ratio of foreign members reflects a more independent level and therefore enhances the controlling and monitoring tasks to meet the needs of different stakeholders.

There are numerous studies investigating the association between the board of directors and sustainability disclosure (see Naciti et al., 2021 for a literature review), but the results are not highly consistent. For example, board composition, in terms of gender, age, nationality, and professionalism of the components, is considered a crucial determinant of corporate social responsibility (Rao & Tilt, 2016). It is shown that a smaller board is more effective than a larger board (Lipton & Lorsch, 1992). Regarding the board's independence, it is shown that board independence is positively associated with disclosure practices (Beasley, 1996; Chen & Jaggi, 2000; Huafang & Jianguo, 2007). However, there is also contrary evidence from Eng & Mak (2003), who found that an increase in outside directors would reduce voluntary disclosure.

In terms of the foreignness of the board, there are few studies focusing on this issue, and the results are mixed. For example, research on 201 listed firms in Malaysia by Amran & Haniffa (2011) demonstrated no association between managing directors acquiring international working experience or foreign education and sustainability reporting. In other words, they fail to help promote sustainability disclosure within firms. Barako & Brown (2008) and Sharif & Rashid (2014) found a positive but statistically insignificant relationship between foreign members on the board and corporate social and environmental performance. On the contrary, Katmon et al. (2019) reported that the quality of CSR disclosure is negatively and significantly associated with nationality diversity. Cho et al. (2021) found that while US companies have more advanced CSR practices and disclosure, they do not tend to impose their practices on their Polish subsidiaries.

2.3. Hypothesis Development

The concept of sustainable development has been highly appreciated and fully adopted in developed markets, promoting corporate sustainability reporting, which encompasses ethical, social, and environmental dimensions of a company's operations, and becoming a progressive part of international business practices for years. Meanwhile, developing nations and emerging markets face challenges and complicated barriers in entering developed ones due to a lack of knowledge of internationalization stages and global stakeholders' expectations for corporate sustainability. As a result of adverse conditions in their home countries, they face origin liability in global markets (Pisani et al., 2017).

This concept was introduced in Vietnam in the late ‘80s and early ‘90s and has become more popular and important to local firms in recent years since the promulgation of Circular 155/2015/TT-BTC. The circular was implemented in 2015, successfully building the basic legal framework for publishing sustainability reports in Vietnam (International Finance Corporation, 2013) and thus stimulating local companies to publish their sustainability reports[3]. This means that sustainability reporting disclosure is still new to Vietnamese firms, while other developed countries have spent a long time accumulating knowledge and information about global stakeholders’ expectations. Vietnamese firms, thus, face more complex challenges than those from Norway, the United States, and South Korea when entering foreign markets. They need to clarify their business operations within the acceptable range of social values because their homeland is considered not fully developed (Hitt et al., 1997; Khanna and Palepu, 2010) in terms of institutional progression, quality of infrastructure, and market mechanism development (Hoskisson et al., 2013). Therefore, firms in developing countries, where institutions are considered weak or absent, must develop strategic responses to overcome these institutional voids (Khanna & Palepu, 1997, 2011). Differences in various aspects mentioned, therefore, indicate the influence of internationalization on sustainability reporting.

Thus, the first hypothesis is proposed:

H1: There is a positive relationship between a firm’s internationalization and sustainability reporting in Vietnam.

From the perspective of Vietnamese companies, where the members of the board are foreigners or have working experience in foreign markets, they are affected by the norms and values of foreign countries where the living standards are higher, and thus society is paying more attention to environmental and other social issues. Thus, we developed the second hypothesis on the foreignness of the board as follows:

H2: There is a positive relationship between the foreignness of boards and sustainability reporting in Vietnam.

3. Research Method

3.1. Data Sampling and Data Collection

We selected data on Vietnamese firms’ sustainability reporting from the GRI Sustainability Disclosure Database. This database divides firms into several categories: non-GRI report, citing-GRI report, GRI-referenced report, and fully qualified GRI report. To create the sample, firstly we obtained all 126 listed firms (including 125 firms and non-profit organizations) in Vietnam in 2019 that have sustainability reporting. Due to a lack of data and missing information, 29 non-public firms and 10 subsidiaries of foreign MNCs that integrated financial reporting into their holding companies were eliminated. Therefore, the total companies collected from the database in 2019 included 86 local companies. Next, 114 companies without disclosing sustainability reports were selected based on the distribution of 11 classified industries by GICS from the Vietnam Exchange

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[3] Currently, Vietnam has regulations and guidelines for implementing sustainable development reports for businesses, such as Circular 96/2022/TT-BTC, Circular 116/2022/TT-BTC, the Sustainability Reporting Handbook, Environmental and Social Disclosure Guidelines, and Vietnam's best governance practices.

Stock. Based on the stock exchange's market capitalization, we selected the largest remaining local firms in each industry (after excluding appropriate ones from the group of 86 companies disclosing sustainability reports). We chose the largest companies to establish a comparable sample as much as possible because the research showed that larger companies are more likely to issue sustainability reports. However, the size of selected firms has a considerable disparity due to the unique characteristics of industries and the different levels of significance in Vietnam's national economy, and we would also include firm size in our regression estimation in the latter part. The total number of sampled companies is 200. We then collected data on sustainability reporting of these 200 firms for the period of 2014 to 2020. Due to some companies not being listed in some years, we have 1387 firm-year observations in the sample.

For other data, we did hand collection from the firms' annual reports, Vietstock Database, and CafeF. The two websites are reliable sources providing financial data for Vietnamese listed firms.

3.2. Variable Construction

3.2.1. Dependent Variables (SDR)

In order to test our hypotheses, we created the dependent variable as a categorical variable. Prior studies (such as Legendre & Coderre, 2013 or Giannarakis et al., 2023) created the binary variable for firms with GRI reporting and firms with non-GRI reporting when they examined the determinants of sustainability reporting using GRI standards. However, in this study, we first created nominal variables based on the firm categories in the GRI database. Specifically, the dependent variable "sustainability reporting disclosure" (SRD) is equal to zero if a company belongs to the category of "Company without sustainability report" and equal to one if a company belongs to the category of "Company published sustainability report but disqualified" (non-GRI report, citing-GRI report, GRI-referenced report), and equal to two if a company belongs to the category of "Company published sustainability report and qualified" (GRI-standards report/Core option and GRI-standards report/Comprehensive option). We created one more category to examine the impact of international forces on the level of disclosure of sustainability reporting. GRI is the most globally accepted and acknowledged sustainability reporting framework. This framework helps organizations disclose their sustainability reports with superior consistency and comparability among diverse nations and thus considerably benefits reporting companies aiming to go beyond the domestic market (Kuzey & Uyar, 2017).

3.2.2. Independent Variables

In economics, internationalization is defined as "the process of increasing involvement in international operations" (Welch & Luostarinen, 1988). There are several measures of firm internationalization, such as foreign sales to total sales, international diversification, international scope (Marshall et al., 2020), or English as a reporting language (Kuzey & Uyar, 2017; Orazalin & Mahmood, 2018). In this paper, we employ two dimensions representing that foreign market entry (INTBIZ) and international visibility using English as the reporting language (VISIBILITY).

Although Vietnam is one of the most open economies in the world, exports are mainly driven by foreign direct investment companies, which account for nearly 70 percent of exports[4]. Most originally local firms are still relatively small and in the early stages of internationalization. Thus, we measured the firms' internationalization by creating a dummy variable that is equal to one if a firm enters the foreign market (or has foreign sales) and zero otherwise. In addition, English, on the other hand, serves as a signaling tool for global stakeholders, demonstrating that firms disclose more voluntary information to reduce information asymmetry and make a strong impression on global stakeholders by accepting sustainability concerns. Thus, similar to previous studies (such as Kuzey & Uyar, 2017; Orazalin & Mahmood, 2018), we employed the company's international visibility using English as a reporting language (VISIBILITY) as an explanatory variable of internationalization. An aggregate variable (average value) combining two explanatory variables (INTBIZ and VISIBILITY) is generated to estimate the degree of internationalization in this study.

Foreignness, on the other hand, refers to involvement and engagement with foreign entities, such as nations, governments, and businesses, rather than domestic entities. Foreignness penetration is a significant consequence of globalization, which has gradually globalized the board of directors by consisting of at least one non-native director on board (Gillies & Dickinson, 1999; Staples, 2007). Expat board members' work experience and knowledge, particularly from developed countries, have aided foreignness penetration into firms by trading, learning, accepting, and implementing foreign values, cultures, and sustainable practices. Thus, the foreignness of the board (FBOD_COB) is coded as 1 if the company has a foreign member in the board of directors or/and the company has a foreign chair of the board or/and the company has a Vietnamese chair of the board with international experience, and 0 otherwise.

Definition, measurement of variables, and previous studies that estimated the influence of these variables on corporate sustainability disclosure are presented in Table 1 (see Appendix).

3.2.3. Control Variables

Research on sustainability reporting has gained increasing importance, and there are numerous papers that have investigated the determinants of this practice. However, the empirical evidence is mostly mixed.

Sustainability disclosure is argued to be associated with firm characteristics such as firm size, profitability, and industries. Firm size might be a significant determinant of SR because larger firms are more visible to stakeholders, thus providing more voluntary information to satisfy greater stakeholder requirements, such as heavy regulations and high media attention (Kuzey & Uyar, 2017; Liu & Anbumozhi, 2009; Nazari et al., 2015). Larger entities that are exposed to more social pressure disclose more voluntary information to legitimize their activities (Ghazali, 2007; Matuszak et al., 2019). Profitability is a significant determinant of voluntary disclosures, as profitable firms tend to publish more sustainability information to legitimize their operations (Waddock & Graves, 1997; Sìmnett et al., 2009). Moreover, signaling theory implies that profitable companies have greater incentives to disclose more information to stakeholders to promote a positive impression (Alsaeed, 2006).

However, it is noted that the empirical results of the relationship between firm characteristics and sustainability are not highly consistent. For example, a group of studies (Gamerschlag et al., 2011; Habbash, 2016; Ho & Taylor, 2007; Kuzey & Uyar, 2017; Lee, 2018; Liu & Anbumozhi, 2009; Suttipun, 2015) indicated that there is a

[4] According to the annual report on Viet Nam's FDI in 2021 issued by the Viet Nam's Association of Foreign Invested Enterprises.

positive relationship between firm size and sustainability information disclosure. However, a study by Hussainey et al. (2011) conducted on 111 listed enterprises on the Egyptian stock exchange showed no statistically significant association between firm size and sustainability disclosure. Similarly, the positive relationship between profitability and sustainability reporting is proven throughout multiple studies (Aksu & Kosedag, 2006; Hussainey et al., 2020; Orazalin & Mahmood, 2019; Ruhnke & Gabriel, 2013). Meanwhile, research by Habbash (2016) on 267 listed firms in Saudi Arabia demonstrated no relationship between profitability and sustainability disclosure.

3.3. Descriptive statistics and univariate analysis

Table 2 (see Appendix) shows the descriptive statistics of the variables. The number of firm-year observations is 1387. Twenty-one percent of firm-year observations are associated with sustainability reporting (although there are 86 companies having sustainability reporting in 2019, many of these firms have not had sustainability reporting in previous years). There are 36% of firms with board foreignness, while the proportion of firms with internationalization is much higher at 77% (either having foreign activities or visibility to enter foreign markets, or both). The average return on equity (ROE) is 12%, varying greatly from -7220% to 199% per year. Similarly, the mean values of firm size (SIZE) and firm's leverage are 14.66 and 1.75, respectively, with large variation across firms.

Table 3 (see Appendix) shows the estimates of Pearson correlation between the level of sustainability reporting (SRD) and three independent variables (foreignness of the board, foreign market entry, the company's international visibility, and the firm's internalization), which are 0.33, 0.08, 0.78, and 0.5, respectively. These relations are significant at the level of 1%, which indicates that internationalization and the foreignness of the board are positively related to the level of sustainability reporting, thus supporting our hypotheses. However, the estimate between SRD and firm size is also significantly positive, while firm size is also positively related to the independent variables.

3.4. Multivariate Regression

In section 3.2.3, we discussed the factors affecting the strength of sustainability reporting or the probability of issuing the report. In our analysis, these factors, such as firm size, profitability, or capital structure, are likely to be related to the independent variables. Larger firms, those with higher profitability or low debt, have higher opportunities to go internationally, as they have more resources for expanding into foreign markets. In univariate analysis, the results also indicate a significantly positive relationship between SRD and firm size.

In this section, we run multivariate regressions to disentangle the effect of internationalization and foreignness on the sustainability reporting disclosure from other factors. Due to the fact that the dependent variable is categorical, we employed a cross-sectional multinomial logit of sustainability reporting (SDR) on internationalization (INTBIZ and/or VISIBILITY) and/or foreignness (FBOD_COB), and control variables. Our cross-sectional multinomial logit regression model is as follows:

$$SDR_{it} = \alpha + \beta\text{Internationalization} + \pi\text{Control\_Vars} + IND_i + \varepsilon_{it} \quad (1)$$

$$\text{SDR}_{it} = \alpha + \beta\text{FBOD\_COB}_{it} + \pi\text{Control \_Vars} + IND_i + \varepsilon_{it} \quad (2)$$

$$SDR_{it} = \alpha + \beta\text{Internationalization} + \lambda\text{FBOD\_COB}_{it} + \pi\text{Control \_Vars} + IND_i + \varepsilon_{it} \quad (3)$$

where SDR_{it} is the level of sustainability reporting of company i at time t; CONTROL_Vars includes $SIZE_{it}$ (the firm size - natural logarithm of total assets), ROE_{it} (a return to the equity ratio-net income to total equity), and LEV_{it} (a leverage ratio-total debt to total equity); IND_{i} is the type of industry; $INTBIZ_{it}$ is the foreign market entry; $VISIBILITY_{it}$ is the company's international visibility; $FBOD\_COB_{it}$ is the foreignness of board; β is estimate parameters; ε_{it} is error terms.

However, because sustainability reporting practices are a complex phenomenon based on mixed findings from various studies on various determinants, we cannot rule out the possibility of omitted control variables that have a statistical association with the investigated factors, resulting in endogeneity. Thus, we also run regressions with firm fixed effects and year fixed effects.

4. Results and Implications

4.1. Main Results

Table 4 (see Appendix) presents the results of the effect of internationalization and board foreignness on sustainability reporting. As the dependent (SRD) is a nomial variable that has three discrete outcomes, that is, equal to 0 if a firm has no sustainability reporting, 1 if a firm has non-qualified-GRI sustainability reporting, and 2 if a firm has GRI-qualified sustainability reporting, the results show the effect of firm groups 1 and 2 with that of firm group 0 (the base case). Columns 1 to 3 show the results from pool multi-logit regressions, while columns 4 to 6 present the results from fixed effect multi-logit regressions. In column 1, the coefficients of Internationalization are 4.017 and 4.960 at a significant level of 1%. In column 2, the coefficients of FBOD_COB are also 1.438 and 2.024 at a significant level of 1%. In column 3, when we include both Internationalization and FBOD_COB into the regression equation, the effects of both factors remain. The results are qualitatively similar when we include fixed effects in the equations, except that in column 6, the coefficient of FBOD_COB is no longer significant. In other words, while we find a positive relationship between internationalization and sustainability reporting, the effect of foreignness of the board on sustainability reporting no longer exists if we take into account the effect of internationalization.

The coefficients of the firm size variable are positive and significant in the regressions with fixed effects, which are consistent with previous studies. That indicates that the larger firms have a higher probability of issuing sustainability reports. Meanwhile, the coefficients of ROE and Lev are not consistent across regressions.

4.2. Robustness Check

4.2.1. A sample of 172 firms

In Table 4 the sample includes 86 companies with sustainability reports with or without using GRI standards and 114 companies without sustainability reports following GRI standards in 2019. As shown in Table 2, firms with sustainability reports are statistically larger than firms without GRI sustainability reports. Although we have to include firm size as a control variable in the regressions, smaller firms may overstate the effect of internationalization and foreignness of the boards because firm size is highly related to internationalization and foreignness of the boards.

Thus, we do a robustness check using regression analysis of the smaller sample (results are provided upon request). Among the 114 firms without GRI sustainability reports in our sample, we selected the 86 largest firms, and thus the whole sample includes 172 firms in 2019. There are 1199 firm-year observations from 2014 to 2020, including 601 firm-year observations publishing sustainability reports and 598 without, after removing 188 small-sized firm-year observations. The results of this robustness check are consistent with those of the 200 firm samples.

4.2.2. Dependent Variable as a Continuous Variable or Binary Variable

In the previous section, we treated the dependent variable (SRD) as a categorical variable with three discrete outcomes. However, the dependent variable, in this case, can be treated as ordinal data as it has a ranking. The higher the value, the greater the degree of reporting to conform to GRI standards. Thus, we also run pooled OLS regressions and fixed effect regressions instead of multi-logit regressions. In addition, we also create a binary variable for the dependent variable, where this variable is equal to 1 if the firm has sustainability reporting and equal to 0 otherwise.

The results of these tests show qualitatively similar results to those in Table 4 (results are provided upon request). Specifically, the coefficients of the internationalization variable are positive and economically significant at the level of 1% in all four equations. Meanwhile, the coefficients of foreignness of the boards are all positive but not consistently significant across equations.

4.3. Discussion and Implications

The positive relationship between internationalization and sustainability disclosure is confirmed in all models highlighting the role of international business in promoting corporate sustainability. Our results are different from Park (2018), who found that internationalization could be both good and bad for CS. Meanwhile, the foreignness of the board has a statistically significant positive effect on sustainability reporting disclosure but shows an inconsistent and discontinuous impact throughout different regression models, especially in regressions with fixed effects.

This is similar to Cho et al. (2021), which found that while US companies have more advanced CSR practices and disclosure, they do not tend to impose their practices on their Polish subsidiaries. This result is also consistent with other studies (Amran & Haniffa, 2011; Barako & Brown, 2008; Sharif & Rashid, 2014). Amran & Haniffa (2011) found no association between managing directors acquiring international working experience or foreign education and sustainability reporting, while the two later papers find a positive but statistically insignificant relationship between foreign members on the board and corporate social and environmental performance.

The positive and significant relationship between internationalization and sustainability reporting, while the insignificant relationship between board foreignness and sustainability reporting, are complementary in explaining the role of the business environment in sustainability reporting. It can be seen that Vietnamese firms are from a very low-income country; thus, when they enter more developed countries, they need to legitimize their sustainability activities, as stakeholders in more developed countries should have higher standards in this arena. Previous studies provide evidence for the positive relationship between economic development and sustainability (Cialani, 2007; Pérez-Gladish et al., 2020; Wei et al., 2017; Ahmed et al., 2022). As Vietnam trading partners have a higher level of economic development, Vietnamese companies face stricter governmental regulations and social norms and values toward sustainability development when they go internationally. Meanwhile, the sustainability requirements and culture in Vietnam are still preliminary, and therefore, these foreign directors, who are from countries with higher levels of economic development, do not bring sustainability views from their home countries into the firms in Vietnam. These findings thus emphasize the role of the external business environment on firms' decisions to issue sustainability reports, which is consistent with legitimate theory and institutional theory.

In addition, as discussed above, stakeholder theory posits the need for 'identification of those societal interest groups to whom the business might be considered accountable and therefore to whom firms need to provide adequate information for those groups of people' (Woodward et al., 2001). Our findings thus show that the pressures from external stakeholder groups (e.g., customers or host country authorities) in foreign markets are the factor for issuing GRI sustainability reporting, while the role of foreignness of the boards (the boards with foreign directors or the chair of the board with international experience) is not significant. Thus, our findings contribute to the identification that external stakeholder groups are more important in issuing sustainability reporting.

From the perspective of Vietnam, the findings of this study can help policymakers and firm decision-makers. Vietnam is a low-middle-income country with a GDP per capita of 3500 USD (4000) per year in 2021 (2022), although Vietnam is among the countries with the highest economic growth rates in the world. The country is becoming a key manufacturing hub in the East and Southeast Asia region, thanks to government-led economic liberalization efforts through trade agreements and membership in regional and international areas. The main exporting markets are the US, China, South Korea, Japan, Hong Kong, and the EU, of which the US is the largest market, accounting for about 30% of total export value. The total export value of Vietnam is almost equivalent to its GDP. According to Fitch's Report in 2022, Vietnam ranks about fifth in terms of trade openness (based on import and export as a percentage of GDP) and 20th in terms of economic openness globally (based on import, export, and foreign direct investment values as a percentage of GDP). As the Vietnam economy is highly integrated, policymakers should continue to strengthen and promote sustainability regulations for firms so that they can overcome the institutional voids in their home countries and expand their businesses across borders. For firm decision-makers, the findings of this study help them understand the determinants of issuing sustainability reports or the context in which sustainability reporting should be applied.

5. Conclusions

While there are numerous studies exploring the determinants of a firm's sustainability reporting, whether internationalization and the foreignness of the boards, which are representative of international forces, are related to sustainability reporting practice remains inconclusive. We find a consistently positive relationship between internationalization and sustainability reporting. However, the foreignness of the board (the board with foreign directors or the chair of the board with international experience) does not relate to these reporting practices. Our findings thus support the views of legitimate and institutional theory. In addition, our findings also identify the role of external stakeholder groups, thus expanding our understanding of the contexts in which firms issue sustainability reports. Our research, therefore, has implications for policymakers and firm decision-makers.

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Appendix

Table 1: Definition and Measurement of Variables

Variables	Measurement	Sources of data
Sustainability Reporting Disclosure (SRD)	0 = Company without sustainability report; 1 = Company published sustainability report but disqualified (Non-GRI report, Citing –-GRI report, GRI-referenced report); 2 = Company published sustainability report and qualified (GRI-standards report / Core option and GRI-standards report / Comprehensive option)	- GRI Sustainability Disclosure Database
The Foreignness of Decision-makers (FBOD_COB)	1 = The company has a foreign member on the board of directors or/and the company has a Vietnamese chair of the board with international experience; 0 = Otherwise	- Annual reports - Vietstock Database - CafeF
Foreign Market Entry (INTBIZ)	1 = The company entered a foreign market; 0 = Otherwise	- Vietstock Database - Annual reports - CafeF
The company's international visibility (VISIBILITY)	1 = The company discloses sustainability; information in English; 0 = Otherwise	- Vietstock Database - Annual reports - CafeF
Internationalization	The aggregate value of INTBIZ variable and VISIBILITY variable	

Source: Author's compilation

Table 2: Descriptive Statistics of Two Comparable Samples

Variable	Obs	Mean	Std. Dev.	Min	Max
SRD	1,387	0.21	0.47	0.00	2.00
SIZE	1,387	14.66	1.87	9.51	21.02
ROE	1,387	0.12	0.26	-7.22	1.99
LEV	1,387	1.75	3.12	0.01	33.03
FBOD_COB	1,387	0.36	0.48	0.00	1.00
VISIBILITY	1,387	0.12	0.32	0.00	1.00
INTBIZ	1,387	0.65	0.48	0.00	1.00
Internationalization	1,387	0.77	0.59	0.00	2.00

Notes: SDR, the level of GRI-based sustainability reporting; SIZE is firm size (the natural logarithm of total assets); ROE is a return to the equity ratio (net income to total equity); LEV is a leverage ratio (total debt to total equity); IND is industry dummy; INTBIZ is the foreign market entry; VISIBILITY is the company's international visibility; FBOD_COB is the foreignness of decision-makers; Internationalization is the aggregate value of VISIBILITY and INTBIZ

Source: Author's compilation

.

Table 3: Correlation Matrix of the Variables

	SRD	SIZE	ROE	LEV	VISIBILITY	INTBIZ	FBOD_COB	Internationalization
SRD	1.000							
SIZE	0.189	1.000						
	0.000							
ROE	-0.015	0.012	1.000					
	0.573	0.658						
LEV	-0.027	0.451	-0.157	1.000				
	0.320	0.000	0.000					
VISIBILITY	0.784	0.245	0.033	-0.018	1.000			
	0.000	0.000	0.220	0.512				
INTBIZ	0.083	0.154	-0.011	0.012	0.049	1.000		
	0.002	0.000	0.671	0.646	0.069			
FBOD_COB	0.337	0.374	0.029	0.032	0.304	0.189	1.000	
	0.000	0.000	0.283	0.241	0.000	0.000		
Internationalization	0.499	0.260	0.009	0.000	0.591	0.835	0.321	1.000
	0.000	0.000	0.739	0.992	0.000	0.000	0.000	

Source: Author's compilation

Table 4: Internationalisation or/and the foreignness of the boards and sustainability reporting

SRD	Independent Variable	Pooled multi-logit			Fixed effect multi-logit		
		(1)	(2)	(3)	(4)	(5)	(6)
0		(base outcome)			(base outcome)		
1	SIZE	0.002	0.222***	-0.130	1.613**	0.985*	1.643**
		(0.074)	(0.062)	(0.080)	(0.766)	(0.517)	(0.799)
	ROE	-0.708***	-0.701***	-0.685**	-1.531	-0.847	-1.530
		(0.273)	(0.262)	(0.279)	(1.302)	(1.060)	(1.305)
	LEV	-0.144***	-0.134***	-0.109**	0.111	-0.035	0.113
		(0.049)	(0.042)	(0.048)	(0.193)	(0.185)	(0.193)
	Industry (IND)	Yes	Yes	Yes	Yes	Yes	Yes
	Firm Fixed Effect	No	No	No	Yes	Yes	Yes
	FBOD_COB		1.438***	1.062***		2.171***	-0.255
			(0.186)	(0.223)		(0.750)	(1.348)
	Internationalisation	4.017***		3.892***	10.025***		10.036***
		(0.313)		(0.318)	(1.526)		(1.532)
	Constant	-5.664***	-5.702***	-4.021***	-29.485**	-15.482**	-29.937**
		(1.109)	(0.933)	(1.159)	(12.181)	(7.283)	(12.648)
2	SIZE	0.059	0.317**	-0.110	13.690***	5.529***	14.063***
		(0.161)	(0.137)	(0.165)	(4.864)	(1.896)	(4.952)
	ROE	-0.666	-0.246	-0.717	-15.359	-9.980	-14.905
		(1.244)	(1.305)	(1.285)	(10.490)	(7.744)	(10.484)
	LEV	-0.393**	-0.394***	-0.341**	-6.732***	-3.408***	-6.836***
		(0.164)	(0.147)	(0.164)	(2.477)	(1.117)	(2.508)

SRD	Independent Variable	Pooled multi-logit			Fixed effect multi-logit		
		(1)	(2)	(3)	(4)	(5)	(6)
	Industry (IND)	Yes	Yes	Yes	Yes	Yes	Yes
	Firm Fixed Effect	No	No	No	Yes	Yes	Yes
	FBOD_COB		2.024*** (0.461)	1.467*** (0.501)		4.480*** (1.571)	0.739 (2.270)
	Internationalization	4.960*** (0.497)		4.768*** (0.500)	14.951*** (3.783)		15.102*** (3.867)
	Constant	-23.822 (805.719)	-23.390 (839.421)	-21.812 (806.034)	-219.991 (15651.040)	-96.970 (25368.940)	-226.455 (29292.260)
	Observations	1387	1387	1387	1387	1387	1387
	Groups	200	200	200	200	200	200
	Pseudo R^2	0.3663	0.1605	0.3841	0.8363	0.6572	0.8365

*Note: This table presents the multi-logit regression of a firm's sustainability reporting on the firm's internationalisation or/and foreignness of the boards and control variables. P-values are shown in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% two-tailed levels.*

Source: Author's compilation