

The Effect of CEO Foreign Experience on Climate Change Disclosure with Executive Compensation as a Moderating Variable

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ABSTRACT

This study examines the relationship between CEO foreign experience and climate change disclosure among Indonesian listed companies, using the Task Force on Climate-Related Financial Disclosures framework. Drawing on Upper Echelons Theory, the study explores how executive background and governance mechanisms shape corporate transparency in response to climate-related risks. Using panel data from 1,925 firm-year observations of companies listed on the Indonesia Stock Exchange from 2020 to 2023, the analysis employs ordinary least squares regression as the main estimation method, while generalized least squares is used as a robustness check to ensure the consistency of the results. The findings reveal that a CEO's foreign experience is negatively associated with climate change disclosure, suggesting that firms led by CEOs with overseas experience tend to disclose less climate-related information. In contrast, executive compensation has a positive effect on disclosure. Further analysis reveals that executive compensation negatively moderates the relationship between CEO foreign experience and climate change disclosure, suggesting that incentive mechanisms weaken the disclosure behavior of foreign-experienced CEOs. This study contributes to the literature by providing new evidence on how leadership characteristics and compensation structures shape corporate climate transparency in an emerging market context.

Keywords: CEO Foreign Experience, Climate Change Disclosure, Climate-Related Financial Disclosures, Executive Compensation, Leadership.

INTRODUCTION

Investors and stakeholders have long been concerned about climate change disclosure, which has received more attention recently (Battiston et al., 2021; Ngo et al., 2023; Mondal & Bauri, 2024). Global warming-induced climate change presents serious social and economic problems. Physical and transition risks are the two main categories of climate-related hazards according to the framework created by the Task Force on Climate-related Financial Disclosures (Board, 2017). The direct effects of climate change on the environment and economic activity give rise to physical dangers (Zhang, 2024). According to Gibb et al. (2020), McKinsey (2020), and Arian and Sands (2024), climate change brought on by human and corporate actions, such as pollution and deforestation, exacerbates these risks and has the potential to produce financial and physical crises as well as wider socio-economic instability.

Indonesia is heavily impacted by climate change, as well as long-term disasters (Cahyono et al., 2024). The country is positioned among the upper tier of climate risk exposure, facing a high level of vulnerability to extreme climate events. Indonesia

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produces approximately 15–20 million tons of carbon emissions per day, making it one of the world's largest carbon-emitting countries (Larasati et al., 2020; Andrian & Kevin, 2021). Despite this exposure, prior studies indicate that climate change disclosure practices among Indonesian companies remain relatively low and lack standardization (Agustini & Arifa, 2024; Wahyuningrum et al., 2025). Empirical evidence shows that firms disclose only around 20–30 percent of the total climate-related indicators recommended for disclosure (Saraswati et al., 2021; Nilasakti et al., 2024).

Chief Executive Officers (CEO) play a critical role in shaping corporate strategies related to climate change. They are responsible for directing strategic initiatives and ensuring that corporate activities align with environmental sustainability goals (Busch, 2022; Sang et al., 2024). Increasing pressure from regulators, investors, and environmental organizations has amplified the role of chief executive officers in addressing climate-related risks (Al-Shaer et al., 2023). Given the broader economic implications of climate change, chief executive officers are increasingly central to decision-making regarding corporate climate and carbon strategies (Alsaifi et al., 2022; Kumar et al., 2022).

According to Upper Echelons Theory, executives' background and experience influence their cognitive frames, risk perceptions, and strategic preferences, which ultimately shape corporate decision-making (Hambrick & Mason, 1984). Prior studies suggest that specialized education and international exposure enhance executives' awareness of sustainability and climate-related issues (Shen, 2021; Hossain et al., 2023). Evidence also indicates that chief executive officers with foreign experience tend to adopt international practices and standards, potentially influencing corporate climate risk disclosure (Zhang et al., 2024). Nevertheless, empirical findings remain inconclusive, with some studies suggesting that overseas experience may lead executives to prioritize financial performance over sustainability reporting (Liu & Zhang, 2024).

Although previous research by Quan et al. (2023) and Liu and Zhang (2024) has examined the role of chief executive officer characteristics in environmental, social, and governance performance, green innovation, and climate risk disclosure, limited attention has been given specifically to climate change disclosure. Moreover, the moderating role of executive compensation as a governance mechanism remains underexplored, particularly in emerging market contexts such as Indonesia (Mahran & Elamer, 2024).

Therefore, this study aims to examine the relationship between the chief executive officer's foreign experience and climate change disclosure and to assess whether executive compensation moderates this relationship. Using panel data from non-financial companies listed on the Indonesia Stock Exchange during the period 2020–2023 and applying panel regression analysis, this study seeks to extend Upper Echelons Theory in an emerging market context and provide new insights into how leadership characteristics and governance mechanisms shape corporate climate transparency.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of CEO Foreign Experience on Climate Change Disclosure

Climate change is a critical 21st-century challenge with significant implications for environmental sustainability and global economic stability (Khalid et al., 2022; Ngo et al., 2023; Likitapiwat et al., 2024; Megeid, 2024; Salvi et al., 2025). It represents not only an environmental issue but also a strategic business risk with potential financial and socio-economic impacts (Mondal & Bauri, 2024; Arian & Sands, 2024). Accordingly, companies are expected to adopt environmentally responsible practices, with climate disclosure playing a key role in enhancing transparency and stakeholder trust (Li et al., 2024; Lestari et al., 2025).

Based on Upper Echelons Theory, managerial characteristics such as experience, values, and personality shape executives' perceptions of sustainability issues, including climate change disclosure, and influence corporate strategy and decision-making (Hambrick & Mason, 1984). CEO leadership is also crucial in ensuring transparency, ethics, and good governance (Jurnali & Septiany, 2022; Septiany et al., 2025a; Septiany

et al., 2025b). While prior studies by Xu and Hou (2021), Khalid et al. (2022), and Zhang and Dong (2023) suggest that foreign experience broadens executives' perspectives on global sustainability practices, evidence from developing countries shows mixed results. Management characteristics significantly affect climate disclosure, yet foreign experience may create institutional misalignment, as developed-country sustainability standards do not always align with local contexts (Aini et al., 2024; Cahyono et al., 2024). Consequently, CEOs with overseas experience may prioritize efficiency and global expansion over sustainability reporting and place greater emphasis on firm performance and shareholder relations than on environmental disclosure (Conyon et al., 2019; Liu & Zhang, 2024). Thus, foreign experience does not always enhance climate transparency, as executives may focus more on competitive strategy and operational efficiency than on comprehensive disclosure.

H1: CEO foreign experience has a negative effect on climate change disclosure.

The Effect of Executive Compensation

Executive compensation plays a crucial role in shaping corporate disclosure behavior, particularly in relation to climate change reporting. When compensation contracts incorporate ESG and sustainability metrics, CEOs face stronger incentives to reduce information asymmetry and enhance transparency. This alignment encourages firms to disclose more detailed and credible climate-related information to meet both performance targets and stakeholder expectations. Recent evidence suggests that ESG-linked remuneration strengthens managerial accountability and improves non-financial reporting practices, especially in firms under high environmental scrutiny. Agarwal et al. (2025) find that embedding ESG indicators in executive pay increases pay-performance sensitivity toward sustainability outcomes, which in turn motivates firms to improve their ESG and climate disclosure quality.

Empirical evidence further supports a positive relationship between executive compensation and climate change disclosure. Firms that integrate ESG criteria into compensation contracts tend to adopt more comprehensive reporting practices, including climate risk metrics and emissions disclosures. This mechanism reduces managerial short-termism and encourages long-term environmental responsibility in corporate reporting. Mans-Kemp and Swartz (2024) demonstrate that transparent pay-performance linkages are associated with improved sustainability disclosure, as stronger incentive alignment promotes greater accountability in reporting climate-related information. These findings suggest that well-structured executive compensation systems can serve as effective governance tools to promote climate disclosure transparency and enhance corporate responsiveness to environmental challenges.

H2: Executive compensation has a positive effect on climate change disclosure.

Executive Compensation as a Moderating Variable

According to the principal-agent theory, director remuneration plays an important role in aligning managerial actions with shareholder interests by increasing executives' motivation, improving board effectiveness, and strengthening corporate governance mechanisms (Jensen & Meckling, 2019; Supriatiningsih et al., 2025). In this framework, executive compensation is viewed as a key governance instrument that reduces agency problems by encouraging managers to act in ways that support long-term organizational objectives, including sustainability performance and environmental responsibility. When compensation is structured effectively, it can guide managerial attention toward broader stakeholder concerns, including climate-related risks and disclosure practices.

Empirically, Ju and Jin (2024) find that CEO compensation has a positive effect on carbon disclosure, indicating that higher remuneration encourages executives to pay greater attention to environmental and social responsibilities, particularly in relation to corporate sustainability and climate-related reporting. Similarly, Mnif and Znazen (2024)

highlight that CEO financial expertise enhances the quality of disclosure, emphasizing the importance of a strong financial background in managing complex reporting standards and new regulatory requirements. Extending this evidence, Toukabri and Kalai (2024) demonstrate that sustainability-oriented governance structures, including the integration of environmental targets into executive compensation schemes, can moderate the relationship between climate change disclosure and carbon performance. These studies suggest that compensation systems that incorporate sustainability incentives not only improve disclosure quality but also strengthen the alignment between corporate governance and environmental accountability.

H3: Executive compensation moderates the relationship between CEO Foreign Experience and climate change disclosure.

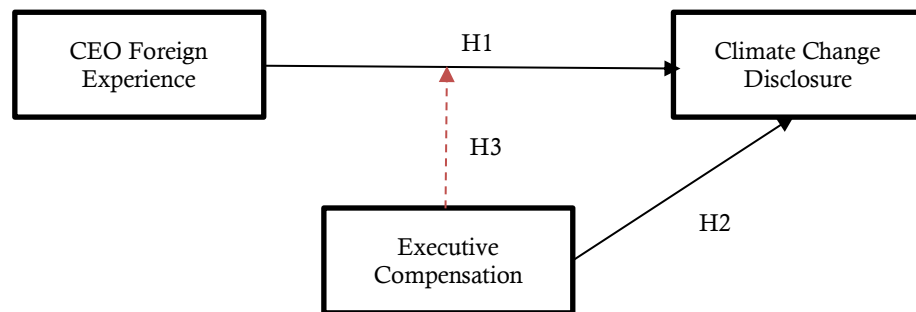


Figure 1. Research Framework

Figure 1 illustrates the conceptual framework of this study, which delineates the effect of CEO foreign experience on climate change disclosure, with executive compensation serving as a moderating variable. Within this framework, the international experience of CEOs is anticipated to influence the extent of corporate climate change disclosure, whereas executive compensation may either amplify or attenuate this relationship. The framework posits that corporate leadership characteristics and managerial incentive mechanisms play a pivotal role in shaping corporate commitment toward climate-related disclosure practices.

RESEARCH METHODS

This study employs a quantitative approach using secondary data from annual reports, sustainability reports, and company websites of firms listed on the Indonesia Stock Exchange (IDX) during the observation period (2020-2023). After excluding observations with incomplete SIC data, the final sample consists of eligible firm-year data. The financial sector was excluded due to differences in reporting regulations and climate risk characteristics, ensuring sample homogeneity and estimation validity.

The final sample consisted of 1,925 company-year observations from 2020–2023, obtained after excluding 61 observations with missing SIC data from the initial 1,986 observations. The largest industry contributions came from Consumer Cyclical (SIC 05) with 329 observations, Consumer Non-Cyclical (SIC 04) with 325, and Basic Materials (SIC 02) with 266. In contrast, Transportation and Logistics (SIC 11) and Technology (SIC 09) contributed the fewest observations, with 84 and 85, respectively. The yearly distribution showed a steady increase, rising from 138 observations in 2020 to 511 in 2021, 590 in 2022, and peaking at 686 in 2023, indicating improved data availability and greater disclosure practices over time.

The dependent variable is climate change disclosure, measured based on the 11 recommendations of the Task Force on Climate-related Financial Disclosures. The framework covers four categories: governance, strategy, risk management, and metrics and targets. Each item is scored 1 if disclosed and 0 otherwise, and the total score is divided by the maximum score to obtain the CCD index (Nathalia & Setiawan, 2022).

CEO foreign experience is dummy data measured based on whether executives have overseas experience or not. A value of one is given if the CEO of the sample company has worked or studied in a foreign country or region, and zero if not. This study uses moderation measured as the amount of compensation received by directors during the year in question (Liang et al., 2024). Executive compensation as a moderating variable is measured as the natural logarithm of the total compensation received by all individual directors, based on data obtained from annual reports (Wardoyo et al., 2022).

This study includes several control variables to isolate the effect of CEO foreign experience on climate change disclosure. Firm size is measured as the natural logarithm of total assets, while board size is proxied by the logarithm of the total number of directors and commissioners (Harymawan et al., 2019; Hou et al., 2020). Profitability is measured using return on assets, calculated as net income divided by total assets (Yusriva & Paramitalaksmi, 2024). Audit quality is a dummy variable equal to one if the firm is audited by a Big 4 firm. Leverage is measured as total liabilities divided by total assets, and independent commissioners are measured by their number on the board (Aini et al., 2024). Firm Age reflects the number of years since establishment, while Female CEO is a dummy variable equal to one if the CEO is female (Lu, 2021). To reduce the influence of outliers, continuous variables are winsorized at the 1st and 99th percentiles.

This research uses a panel data regression approach with firm and year to investigate the relationship between CEO foreign experience and climate change disclosure. Both Ordinary Least Squares (OLS) and Generalized Least Squares (GLS) estimations are applied to ensure robustness and address possible concerns. The baseline models are specified as shown below:

Main Effect:

$$CCD_{it} = \beta_0 + \beta_1 CEO_FE_{it} + \beta_2 FSIZE_{it} + \beta_3 BSIZE_{it} + \beta_4 ROA_{it} + \beta_5 BIG4_{it} + \beta_6 LEV_{it} + \beta_7 INDCOM_{it} + \beta_8 FAGE_{it} + \beta_9 FEM_{it} + INDUSTRY_FE + YEAR_FE + \varepsilon_{it}$$

Moderation Effect:

$$CCD_{it} = \beta_0 + \beta_1 CEO_FE_{it} + \beta_2 EXCOMP_{it} + \beta_3 CEOFEXEXCOMP_{it} + \beta_4 FSIZE_{it} + \beta_5 BSIZE_{it} + \beta_6 ROA_{it} + \beta_7 BIG4_{it} + \beta_8 LEV_{it} + \beta_9 INDCOM_{it} + \beta_{10} FAGE_{it} + \beta_{11} FEM_{it} + INDUSTRY_FE + YEAR_FE + \varepsilon_{it}$$

Information:

β_0 - β_{11}	= Regression Coefficient
CCD	= Climate Change Disclosure
CEO_FE	= CEO Foreign Experience
EXCOMP	= Executive Compensation
CEOFEEXCOMP	= Interaction CEO Foreign Experience and Executive Compensation
FSIZE	= Firm Size
BSIZE	= Board Size
ROA	= Return on Assets
BIG4	= Audit Quality audited by Big 4 firms
LEV	= Leverage
INDCOM	= Independent Commissioners
FAGE	= Firm Age
FEM	= Female CEO
INDUSTRY_FE	= Industry Fixed Effects
YEAR_FE	= Year Fixed Effects
ε_{it}	= Error term
i	= Firm
t	= Year observation period

RESULTS

This section gives a summary of the data features and initial insights into the variables used in the analysis before presenting the empirical findings. In order to provide a basic knowledge of the sample and lay the groundwork for further regression analysis, descriptive statistics are used to characterize the distribution, central tendencies, and variability of the data.

Table 1. Descriptive Statistics

Variables	N	Mean	Standard Deviation	Minimum	Median	Maximum
Climate Change Disclosure	1925	0.123	0.178	0.000	0.000	1.000
CEO Foreign Experience	1925	0.754	0.431	0.000	1.000	1.000
Executive Compensation	1925	9.986	0.681	8.370	9.502	11.684
Firm Size	1925	12.318	0.841	10.054	11.722	14.112
Board Size	1925	7.911	3.208	4.000	5.000	19.000
Return on Assets	1925	0.031	0.122	-0.577	0.000	0.454
Audit Quality	1925	0.283	0.451	0.000	0.000	1.000
Leverage	1925	0.481	0.392	0.023	0.249	2.915
Independent Commissioners	1925	1.581	0.775	1.000	1.000	4.000
Firm Age	1925	31.453	17.657	4.000	18.000	101.000
Female CEO	1925	0.076	0.266	0.000	0.000	1.000

The descriptive statistics in Table 1 present the main characteristics of the variables based on 1,925 observations. The mean value of climate change disclosure is 0.123, ranging from 0 to 1. The CEO's foreign experience has an average of 0.754, indicating that most CEOs have foreign experience, while executive compensation averages 9.986, reflecting relatively high compensation levels. Firm size (12.318) suggests that the sample is dominated by large firms, and board size (7.911) indicates relatively large boards. ROA averages 0.031, showing variation in profitability. Around 28.3% of firms are audited by Big 4 auditors. Leverage has a mean of 0.481, indicating moderate leverage, while independent commissioners average 1.581, reflecting a reasonable presence of independent commissioners. Firm age averages 31.453 years, suggesting mature firms, and the proportion of female CEO remains low at 7.6%, indicating limited female CEO representation.

Table 2. Pearson Correlation

Variable	CCD	CEO_FE	EXCOM	FSIZE	BSIZE	ROA	BIG4	LEV	INCOM	FA	FE
CCD	1.000										
CEO_FE	0.015 (0.510)	1.000									
EXCOM	0.399 *** (0.000)	0.101 *** (0.000)	1.000								
FSIZE	0.400 *** (0.000)	0.062 *** (0.007)	0.704* ** (0.000)	1.000							
BSIZE	0.376 *** (0.000)	0.088 *** (0.000)	0.638* ** (0.000)	0.638 *** (0.000)	1.000						
ROA	0.136 *** (0.000)	0.035 (0.124)	0.245* ** (0.000)	0.198 *** (0.000)	0.140 *** (0.000)	1.000					
BIG4	0.270	0.059	0.524* (0.000)	0.408	0.413	0.185	1.000				

Variable	CCD	CEO FE	EXCOMP	FSIZE	BSIZE	ROA	BIG4	LEV	INDCOM	FAGE	FEM
	***	**	**	***	***	***					
	(0.000)	(0.010)	(0.000)	(0.000)	(0.000)	(0.000)					
LEV	-0.037	-0.032	0.029	0.055**	0.042*	0.359***	0.024	1.000			
	(0.104)	(0.154)	(0.207)	(0.016)	(0.068)	(0.000)	(0.296)				
INDCOM	0.325***	0.021	0.506**	0.529***	0.764***	0.067***	0.351***	0.055**	1.000		
	(0.000)	(0.349)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.016)			
FAGE	0.164***	0.057**	0.321**	0.282***	0.333***	0.060***	0.181***	0.100***	0.276**	1.000	
	(0.000)	(0.013)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	
FEM	0.046**	-0.022	-0.017	0.059***	0.037	0.005	0.036	0.010	-0.039*	0.014	1.000
	(0.044)	(0.331)	(0.445)	(0.010)	(0.103)	(0.824)	(0.110)	(0.669)	(0.089)	(0.542)	

Note: CCD = Climate Change Disclosure, CEO FE = CEO Foreign Experience, EXCOMP = Executive Compensation, FSIZE = Firm Size, BSIZE = Board Size, ROA = Return on Assets, BIG4 = Audit Quality, LEV = Leverage, INDCOM = Independent Commissioners, FAGE = Firm Age, FEM = Female CEO. p-values in parentheses *p < 0.1, ** p < 0.05, *** p < 0.01

According to Table 2's Pearson correlation data, CEO foreign experience and climate change disclosure have a positive but negligible link ($r = 0.015$, $p = 0.510$). This indicates that disclosure of climate change is not necessarily directly correlated with experience abroad. On the other hand, executive compensation and climate change disclosure exhibit a strong and positive association ($r = 0.399$, $p < 0.01$). This suggests that higher compensation is linked to more transparency. In addition, climate change disclosure also correlates positively and significantly with the variables firm size, board size, ROA, audit quality, and independent commissioners, which means that large, profitable companies that are audited by Big 4 accounting firms and have good governance tend to be more transparent in their climate change disclosure. Meanwhile, leverage ($r = -0.037$) is negatively associated with climate change disclosure, indicating that highly leveraged firms tend to limit environmental disclosure. Similarly, female CEO ($r = -0.046$, $p < 0.05$) show a negative and significant relationship, suggesting lower climate change disclosure among firms led by female CEOs, although the effect is relatively small.

Table 3. Regression Result

Variable	Model (1)	Model (2)	Model (3)
	CCD	CCD	CCD
CEO Foreign Experience	-0.014*	-0.016**	0.272**
	(-1.84)	(-2.23)	(2.16)
Executive Compensation		0.041***	0.066***
		(4.62)	(4.99)
CEO Foreign Experience x Executive Compensation			-0.029**
			(-2.22)
Firm Size	0.054***	0.040***	0.038***
	(8.48)	(6.12)	(5.81)
Board Size	0.008***	0.006**	0.006**
	(3.26)	(2.40)	(2.45)
Return on Assets	0.002	-0.016	-0.019
	(0.09)	(-0.60)	(-0.73)
Audit Quality	0.038***	0.026**	0.025**
	(3.69)	(2.45)	(2.42)
Leverage	-0.027***	-0.028***	-0.029***

Variable	Model (1)	Model (2)	Model (3)
	CCD	CCD	CCD
	(-3.72)	(-3.84)	(-3.91)
Independent Commissioners	0.013*	0.013*	0.013*
	(1.69)	(1.71)	(1.66)
Firm Age	0.000	-0.000	-0.000
	(0.51)	(-0.06)	(-0.35)
Female CEO	-0.017	-0.018*	-0.019*
	(-1.54)	(-1.66)	(-1.68)
Constant	-0.683***	-0.895***	-1.117***
	(-8.78)	(-9.58)	(-8.96)
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
R ²	0.248	0.257	0.260
R ² Adjusted	0.240	0.249	0.251
N	1925	1925	1925

Note: CCD = Climate Change Disclosure; t-statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

According to Table 3, CEO foreign experience significantly reduces climate change disclosure ($\beta = -0.016$; $p < 0.05$). The Upper Echelons Theory of Hambrick and Mason (1984), which holds that executive experience and background should extend strategic understanding and improve attention to sustainability issues, is contradicted by this study. However, these negative results indicate that international experience may bring a managerial orientation that is more focused on efficiency, profitability, or different reporting standards, which are not in line with institutional pressures in Indonesia, where climate reporting is still weak (Conyon et al., 2019; Aini et al., 2024). Conversely, the finding that executive compensation has a significant positive effect on climate change disclosure ($\beta = 0.066$; $p < 0.01$) supports Agency Theory by Jensen and Meckling (2019), in which financial incentives can align managers' interests with corporate objectives, including environmental transparency. The negative moderating effect of CEO foreign experience and executive compensation indicates that the personal characteristics of CEOs are more dominant than incentive mechanisms, so that compensation is not strong enough to encourage an increase in climate change disclosure for CEOs with overseas experience.

Table 4. Generalized Least Squares

Variable	Model 1	Model 2	Model 3
	CCD	CCD	CCD
CEO Foreign Experience	-0.018***	-0.020***	0.155***
	(-24.40)	(-23.56)	(8.24)
Firm Size	0.050***	0.036***	0.036***
	(70.18)	(53.74)	(45.02)
Board Size	0.009***	0.007***	0.007***
	(49.33)	(32.41)	(26.56)
Return on Asset	0.002	-0.015***	-0.013***
	(0.52)	(-5.76)	(-3.51)
Audit Quality	0.034***	0.022***	0.020***
	(15.85)	(11.07)	(10.31)
Leverage	-0.025***	-0.025***	-0.025***
	(-16.74)	(-15.43)	(-15.59)
Independent Commissioners	0.013***	0.012***	0.012***
	(21.28)	(15.09)	(13.98)
Firm Age	0.000***	0.000	0.000
	(6.58)	(1.41)	(1.04)
Female CEO	-0.015***	-0.015***	-0.016***
	(-7.54)	(-7.36)	(-10.52)
Executive Compensation		0.040***	0.055***
		(41.98)	(27.46)
CEO Foreign Experience x Executive Compensation			-0.017***
			(-8.67)

Variable	Model 1	Model 2	Model 3
	CCD	CCD	CCD
Constant	-0.623***	-0.828***	-0.969***
	(-65.14)	(-80.98)	(-50.66)
Industry FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
N	1820	1820	1820

Note: CCD = Climate Change Disclosure; t-statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

The robustness test utilizing the Generalized Least Squares (GLS) approach is shown in Table 4, and the results are still in line with the primary conclusions. In Models (1) and (2), CEO foreign experience has a negative and substantial impact on climate change disclosure ($\beta = -0.018$ and -0.020 , $p < 0.01$), suggesting that CEOs with foreign experience typically disclose less. Nevertheless, the coefficient of CEO foreign experience turns positive ($\beta = 0.155$, $p < 0.01$) when the interaction term is added to Model (3), indicating a change in interpretation because of the moderating effect of executive salary. In contrast, executive compensation is still positive and significant in Models (2) and (3) ($\beta = 0.040$ and 0.055 , $p < 0.01$), indicating that greater climate disclosure is encouraged by higher pay.

Significantly, the interaction term between CEO foreign experience and executive compensation is negative and significant ($\beta = -0.017$, $p < 0.01$), suggesting that the association between CEO foreign experience and CCD is weakened by executive compensation. Firm size, board size, audit quality, and independent commissioners consistently exhibit positive and significant impacts among the control variables, indicating that board independence, audit quality, firm size, and board size all improve disclosure procedures. On the other hand, ROA has a negative influence in Models (2) and (3), firm age is still mostly inconsequential, while leverage and female CEO show negative and significant effects. These outcomes support the stability and resilience of the primary conclusions.

DISCUSSION

The findings reveal that CEO foreign experience has a negative effect on climate change disclosure, which contrasts with the expectations of Upper Echelons Theory that international exposure broadens managerial perspectives and enhances sustainability awareness. In the Indonesian context, this result may reflect institutional misalignment between global sustainability practices and local regulatory environments. CEOs with overseas experience may place greater emphasis on efficiency, profitability, and global expansion rather than voluntary climate disclosure. This finding is consistent with Aini et al. (2024), who show that foreign-experienced CEOs tend to reduce sustainability disclosure in Indonesian firms. Similarly, Conyon et al. (2019) argue that internationally experienced CEOs are more oriented toward global market strategies than non-financial reporting, while Liu and Zhang (2024) find that foreign experience does not necessarily improve ESG performance due to differences in institutional environments. These results support evidence from emerging markets suggesting that executives with international exposure may prioritize firm performance and shareholder interests over sustainability reporting.

In contrast, executive compensation has a positive effect on climate change disclosure, supporting Agency Theory. Incentive-based compensation aligns managerial interests with stakeholder demands for transparency, encouraging greater environmental disclosure. This finding is consistent with Ju and Jin (2024), who show that compensation improves environmental performance and carbon disclosure, as well as Toukabri and Kalai (2024), who find that sustainability-linked incentives enhance the quality of climate reporting. These results highlight the important role of governance mechanisms, particularly compensation structures, in promoting corporate transparency.

However, the moderating results indicate that executive compensation weakens the relationship between CEO foreign experience and climate change disclosure. This

suggests that financial incentives become less effective when CEOs possess foreign experience, as personal managerial attributes may dominate formal governance mechanisms. This finding provides an interesting contrast to Mnif and Znazen (2024), who demonstrate that CEO expertise, particularly financial expertise, can enhance disclosure quality, implying that certain CEO characteristics can strengthen governance effectiveness. It also complements Toukabri and Kalai (2024), who show that sustainability-oriented governance mechanisms, including compensation structures, can moderate disclosure outcomes. In this study, however, the moderating effect is negative, indicating that the interaction between CEO characteristics and compensation may not always produce synergistic outcomes, particularly in emerging market contexts.

These findings provide important implications for various stakeholders. For policymakers, the negative relationship between CEO foreign experience and climate change disclosure indicates the need to strengthen regulatory frameworks and sustainability reporting standards to ensure alignment with national environmental objectives. Regulators should also encourage firms to adopt more transparent and consistent disclosure practices. For companies, the findings emphasize the importance of designing executive compensation systems that promote environmental accountability and improve the quality of climate change disclosure. Incentive structures linked to sustainability performance may enhance managerial commitment toward responsible business practices. Meanwhile, for investors, improved disclosure offers more relevant and reliable information for assessing environmental risks, sustainability strategies, and firms' long-term prospects. This study highlights that the effectiveness of corporate governance mechanisms is influenced by managerial characteristics, particularly within the context of developing countries, where governance structures and sustainability practices continue to evolve alongside increasing stakeholder demands for transparency and accountability.

CONCLUSION

The results show that CEOs' overseas experience has a negative effect on climate change disclosure, while executive compensation has a positive effect. In addition, executive compensation is found to weaken the relationship between CEOs' overseas experience and climate change disclosure. These findings remain consistent after conducting a robustness test using the Generalized Least Squares method. This study contributes theoretically by expanding the study of top leader characteristics in Upper Echelons theory, particularly regarding how CEO international experience does not always support corporate sustainability orientation in the context of developing countries. From a practical perspective, the results of this study provide insight for regulators and policymakers that strengthening climate reporting guidelines and designing performance-based environmental incentives can be important tools for improving corporate transparency. For companies, these findings emphasize the importance of designing compensation structures that encourage executive leaders to be more accountable for climate change issues.

This study has several limitations. First, the CEO's foreign experience is measured using a binary variable that does not capture differences in the quality or duration of international exposure. Second, the sample is limited to Indonesian listed firms, which may restrict the generalizability of the findings to other institutional contexts. Third, the climate change disclosure index is based on quantitative measures, which may not fully reflect the narrative depth or quality of disclosure.

Future research is recommended to develop a more comprehensive measure of CEO foreign experience by considering its intensity, duration, destination, and relevance to sustainability issues. Future studies could also expand the sample across countries to capture institutional differences in climate change disclosure. In addition, further research may incorporate additional governance variables as moderators and examine disclosure quality using textual analysis, such as tone, readability, or boilerplate content, to provide a more comprehensive understanding of corporate climate transparency.

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