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Modern Slavery Disclosure in the G20: Firm and National-Level Insights

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ABSTRACT

The urgency for firms to disclose modern slavery practices has increased in light of global human rights concerns. This study investigates the firm-level and country-level determinants that influence modern slavery disclosure using panel data from 6,757 firm-year observations across listed firms in G20 countries (2015–2020). Data from the listed firm in the G20 countries were used. These nations have contributed most of the world's GDP and share the objective of adhering to modern slavery standards. Employing a panel data regression model with fixed effects and robust standard errors, grounded in neo-institutional and stakeholder theories, the analysis incorporates variables such as corporate governance, firm size, profitability, state governance, and legal system. Secondary data were collected from the Thomson Reuters Eikon and World Bank databases. The results indicate that firm governance ($\beta = 0.0623; p < 0.01$), firm size ($\beta = 1.31; p < 0.01$), country-level governance ($\beta = 3.69; p < 0.01$), and civil law legal system ($\beta = 12.74; p < 0.01$) have a statistically significant positive impact on modern slavery disclosure. Profitability is found to have no significant influence ($p > 0.10$). The final model explains 21.6% of the variance in disclosure ($R^2 = 0.216$). These findings demonstrate that both firm-internal characteristics and national institutional contexts play a decisive role in shaping disclosure practices, with firms in civil law countries and those with stronger governance frameworks reporting substantially higher levels of information. This study contributes to the literature in several ways. First, it provides large-scale empirical evidence across multiple countries, addressing the lack of cross-country analyses in prior research. Second, it integrates firm-level and country-level determinants within a unified model, offering new insights into how internal resources and external pressures jointly influence modern slavery transparency. Finally, by highlighting the non-significance of profitability, this research challenges assumptions that stronger financial performance automatically leads to more ethical disclosure, thereby expanding the theoretical understanding of disclosure behavior. Firms have varying levels of disclosure of modern slavery. Businesses and investors have an obligation to uphold human rights in their supply chains and combat modern forms of slavery, including forced labor and human trafficking. Overall, the results underscore the importance of robust corporate governance, institutional quality, and legal frameworks in promoting accountability and transparency in addressing modern slavery risks..

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INTRODUCTION

Modern slavery encompasses practices such as deceptive recruitment, wage withholding, forced labor, and the exploitation of vulnerable individuals hidden across countries, sectors, and governments (Burns & Jollands, 2020; Gold et al., 2015; ILO, 2017a; Shilling et al., 2021). Despite estimates indicating that tens of millions are affected globally (Bales, 2009; ILO, 2017a), disclosure practices by firms remain limited and often symbolic (Birkey et al., 2018; Christ et al., 2019; Schaper & Pollach, 2021).

G20 countries, which account for 85% of global GDP and are major importers of slave-related goods (Department of Foreign Affairs and Trade, n.d.; GSI, 2018), present a critical context for examining modern slavery transparency. Prior studies have shown that disclosure is influenced by factors such as industry pressure, NGO engagement, and governance structures (Birkey et al., 2018; Flynn & Walker, 2020; Islam & Van Staden, 2018). However, much of this research has concentrated on compliance or descriptive analyses rather than evaluating the determinants of substantive disclosure quality.

Furthermore, few studies have comprehensively assessed how firm-level characteristics—such as corporate governance and firm size—and country-level institutional contexts—such as governance quality and legal systems—jointly shape disclosure practices (Giannarakis et al., 2014; A. Khan et al., 2013). This gap is particularly salient given evidence that institutional configurations vary widely between developed and emerging markets, influencing the relationship between governance and ESG reporting (Dhaliwal et al., 2012).

Accordingly, this study aims to address these limitations by analyzing how internal and external factors influence modern slavery disclosure among G20-listed firms. By integrating stakeholder theory (Freeman, 1999) and neo-institutional theory (DiMaggio & Powell, 1983), it seeks to provide empirical insights into the mechanisms that drive transparency beyond mere compliance.

LITERATURE REVIEW AND HYPHOTESIS

Neo-institutional Theory

Neo-institutional theory serves as this study's theoretical framework, providing a robust lens through which to examine organizational practices, particularly disclosure. DiMaggio and Powell (1983), foundational scholars in this area, distinguish between coercive, mimetic, and normative isomorphisms as processes that shape organizational behavior. These patterns explain why firms' actions, including their disclosure practices, tend to converge despite varying individual characteristics. This theory has been extensively utilized in prior research "to establish the relationship between stakeholder pressure and individual firm reporting practices and to explain adoption and reporting of social and environmental standards in general," (Islam & McPhail, 2011). The fundamental premise of neo-institutional theory is that institutions play a critical role in economic and organizational processes, influencing corporate behavior based on the institutional factors within their environment.

The three distinct types of isomorphism (coercive, mimetic, and normative) are central to neo-institutional theory: 1) Coercive Isomorphism: This refers to formal and informal pressures exerted on organizations by other powerful entities, such as governmental regulations, legal frameworks, and societal expectations (DiMaggio & Powell, 1983). For example, mandatory reporting laws or industry-specific compliance requirements can compel firms to disclose certain information. This type of pressure is particularly relevant in the context of modern slavery, where governments are increasingly enacting legislation requiring companies to report on their efforts to combat such practices (e.g., the UK Modern Slavery Act, Australian Modern Slavery Act); 2) Mimetic Isomorphism: This occurs under conditions of uncertainty or ambiguity, where organizations imitate the behaviors or structures of other successful or legitimate organizations in their field (DiMaggio & Powell, 1983). When there is a lack of clarity on how to address complex issues like modern slavery, firms may model their disclosure practices on those of leading companies or industry peers, assuming these practices are effective. This "copying" mechanism helps reduce perceived risk and enhance legitimacy; 3) Normative Isomorphism: This arises from professionalization, driven by shared values, norms, and standards disseminated through professional bodies, industry associations, and educational systems . Professionals within organizations, influenced by their training and professional networks, adopt compliance strategies that align with accepted best practices. In the context of modern slavery, this could involve adhering to guidelines promoted by human rights organizations, sustainability reporting frameworks, or industry-specific codes of conduct.

Prior research has consistently demonstrated a strong relationship between various institutional pressures and a firm's reporting behaviors, including practices and policies related to modern slavery (Christ et al., 2019; Flynn & Walker, 2020). When multiple stakeholder groups impose pressure on firms, there is an increased likelihood that companies will be compelled to provide more information regarding the existence of modern slavery in their supply networks and operations (Flynn, 2019)

For instance, Flynn and Walker (2020) specifically identified all three sources of institutional pressure, international human rights agreements (coercive), multi-stakeholder initiatives (mimetic), and professional standards (normative)—when examining the UK Voluntary Modern Slavery Statements by Financial Times Stock Exchange companies. This highlights how a combination of legal requirements, peer behavior, and professional expectations drives disclosure. Similarly, in the Australian context, Christ et al. (2019) found that Australian companies frequently use similar terminology and emphasize common issues when discussing modern slavery, suggesting strong mimetic and normative influences within the industry.

The institutional environment in which G20 companies operate regarding modern slavery is characterized by a diverse array of disclosure pressures, encompassing individual or combined legislative/coercive, cognitive/normative, and mimetic forces (DiMaggio & Powell, 1983; Willmott, 2015) This study adopts New Institutional Sociology (NIS) as its framework to examine modern slavery disclosure for several reasons. Companies may exert pressure on each other to report proactively on concerns over anticipated regulations (mimetic/coercive). Furthermore, with the increasing number of modern slavery cases being uncovered, there may be significant normative pressure from various organizations—such as industry associations, non-governmental organizations (NGOs), and non-profits—to disclose modern slavery risks in both domestic and international supply chains (Crane, 2013). Rather than merely describing various stakeholder pressures demanding corporate accountability (Ijiri, 1983), this research focuses on the actual disclosures provided by firms.

Drawing on neo-institutional theory, this study argues that firm-level characteristics such as governance quality, size, and profitability determine how effectively firms respond to these pressures. For example, firms with strong governance and large resources are better equipped to comply with coercive regulations, imitate leading practices, and align with professional expectations, resulting in more extensive disclosure. At the same time, country-level institutional factors such as governance quality and legal systems are expected to amplify or moderate these pressures, creating variation across national contexts. Accordingly, the hypotheses in this study predict that both internal organizational capacities and external institutional environments will be positively associated with the level of modern slavery disclosure. Given these findings, neo-institutional theory provides a useful perspective for examining management's approach to modern slavery issues and understanding what motivates companies to enhance the quality of their disclosures.

Stakeholders Theory

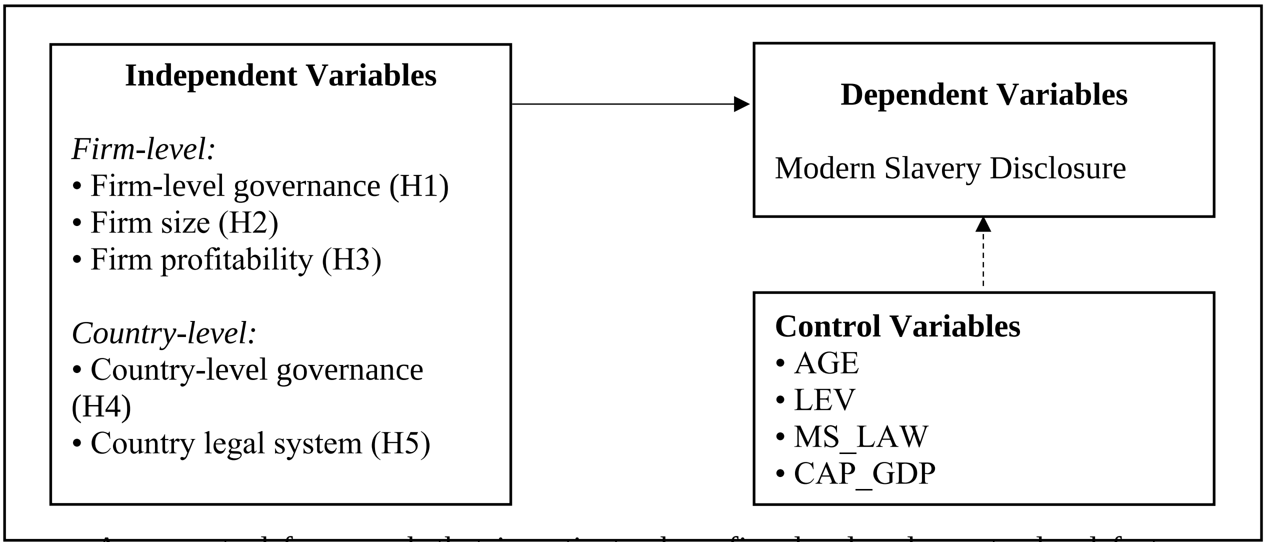
The internal environment of a firm often significantly influences how sustainability is implemented. Stakeholder theory, primarily advanced by Freeman (1999), provides a comprehensive framework for understanding how organizations manage their relationships with various groups that can affect or are affected by their objectives. Unlike traditional shareholder-centric views, this theory posits that a firm's knowledge of economics, law, and philanthropy should address not only shareholders but also all other stakeholders (Freeman, 1999).

Freeman and David (1999) define stakeholders broadly as any individual or group impacted by a firm's goal accomplishment, or any group with the authority to influence those goals. To build and maintain positive stakeholder relationships, firms are incentivized to adopt sustainability-related initiatives (Freeman, 1999). This engagement often translates into higher levels of disclosure. For example, studies by Michelon and Parbonetti (2012) highlight that energy firms, particula 132 t actively participate in social responsibility initiatives to secure and maintain stakeholder support. This implies that firms disclose their sustainability efforts to satisfy stakeholder demands and manage their social license to operate.

In their study on modern slavery within supply chains, Stevenson and Cole (2018) suggested that both institutional theory and stakeholder theory offer valuable opportunities for further research. They noted that stakeholder theory is particularly useful because, although external stakeholders are the primary recipients of modern slavery statements, businesses still need to carefully consider the implications of these statements for their suppliers and other internal stakeholders. This highlights the dual role of disclosure: not only to inform external parties but also to manage relationships and expectations throughout the entire value chain.

Drawing on stakeholder theory, it can be argued that firms with stronger governance structures and more substantial resources are better positioned to identify and engage with diverse stakeholder groups who expect transparency about modern slavery risks. Such firms are likely to disclose more comprehensive information to maintain legitimacy, reduce reputational risk, and strengthen relationships with investors, regulators, NGOs, and consumers. Accordingly, this study hypothesizes that firm-level characteristics such as governance quality, size, and profitability will be positively associated with the level of modern slavery disclosure because they enhance a firm’s capacity to address stakeholder expectations. Therefore, stakeholder theory provides a crucial lens for analyzing the motivations behind and the audience for modern slavery disclosures.

Figure 1. Conceptual Framework: Interrelation Between Firm- and Country-Specific Variables and Modern Slavery Disclosure



A conceptual framework that investigates how firm-level and country-level factors may affect how much information businesses disclose concerning modern slavery is shown in Figure 1. On the company side, governance structures, firm size, and profitability are expected to play key roles in shaping disclosure behavior, because these elements frequently show how capable and eager a company is to be open about social and ethical issues. At the national level, the quality of governance and the strength of the legal system are believed to affect the broader institutional pressure or support that firms face when addressing modern slavery risks. Additionally, the model includes a number of control variables—such are the size of the capital market, corporate age, financial leverage, and the existence of legislation against modern slavery—to account for other external influences that might shape disclosure practices. This figure illustrates a set of hypotheses suggesting that corporate transparency on modern slavery is the result of both internal governance and the surrounding regulatory and institutional environment.

According to the neo-institutional theory (DiMaggio & Powell, 1983), Through adherence to standards and rules, enhanced corporate governance (more oversight) leads to better stakeholders' value and corporate performance. Characteristics and matters related to the board will significantly affect how corporate governance runs effectively. Various sizes, independence, diversity, and the existence of an ESG/CSR committee are included (Naseem et al., 2017). The company's supervisory board is thought to be able to raise awareness of the need to apply the sustainability idea (Hussain et al., 2018). It is hoped that firm with effective management can strengthen their internal control to lessen issues resulting from opportunistic conduct and the prevalence of information asymmetry, and the firm will share more information.(Arayssi et al., 2020; Jizi, 2017; Naseem et al., 2017), as revealed through modern slavery reporting. A large variety of boards (experience, expertise, and expertise) can provide good input to management (Amran et al., 2014; Katmon et al., 2019), which should increase the view of legitimacy and be more likely to engage in more robust corporate modern slavery initiative and disclosures. The findings of prior research on independent boards and sustainability performance have been conflicting. Issues about stakeholders sometimes receive greater attention from independent boards than shareholder interests. (Hussain et al., 2018; Mahmood et al., 2018). In order to preserve their reputation, businesses may be encouraged to focus on sustainable policies by having an independent board (Amran et al., 2014). Board independence improves sustainability disclosures and practices (Jo & Harjoto, 2012; Lau et al., 2016; Ntim & Soobaroyen, 2013). While, (Haniffa & Cooke, 2005; Said et al., 2009) found negative relationships. A study by Hermawan (2011) found that How well the financial reporting process is supervised depends on the governance structure. Such governance impacts financial reporting and how well it manages the enterprise's disclosure of modern slavery. The significance of governance on non-financial disclosures has been the subject of conflicting research, and the previous study has not addressed the connection between corporate governance and disclosures of modern slavery. (Jo & Harjoto, 2012; Lau et al., 2016; Ntim & Soobaroyen, 2013). Drawing on neo-institutional theory, it can be argued that corporate governance structures serve as mechanisms through which firms respond to institutional pressures, including legal requirements, stakeholder expectations, and normative standards about human rights reporting. In this perspective, firms with stronger governance are better positioned to internalize such pressures and translate them into more extensive and credible disclosures of modern slavery practices. Accordingly, this study hypothesizes that enhanced corporate governance will be positively associated with the level of modern slavery disclosure, as firms seek to secure legitimacy and meet evolving societal demands. Nonetheless, in line with predictions, the first hypotheses of the study are:

H1: Firm-level governance had a positive effect on the modern slavery disclosure level.

According to neo-institutional theory (DiMaggio & Powell, 1983), firm size influences all institutional isomorphisms (coercive, normative, and mimetic) and is expected to affect the disclosure of modern slavery positively. For social and environmental practices considered unsustainable, the large firm is more vulnerable to coercive pressure to become the primary source of regulation targets (Flynn, 2019). They are more at risk of attracting attention, public outrage, and even formal reprimands/penalties if they fail to demonstrate that they comply with existing regulations/norms for a responsible supply chain (Hoejmose et al., 2014). They are therefore more inclined to give stakeholders more information about human rights in order to lessen outside pressure and show their dedication to sustainable development issues (Valls Martinez et al., 2019; Zahid et al., 2020). The larger company has greater financial and economic resources available for environmental and social initiatives (Valls Martinez et al., 2019). It includes developing proper tools within the firm, such as social reports, establishing a code of ethics, and adopting sustainability standards on disclosure content related to modern slavery as regulated by t(Brammer & Pavelin, 2008)ative (Brammer & Pavelin, 2008). In addition to employing outside assurances to bolster the veracity of supplied data, the well-known company is better equipped to meet these requirements due to their ample financial resources and advantageous position (Brammer & Pavelin, 2008). So they can influence suppliers to behave better (New, 2015). Associated with mimetic isomorphism, to gain a competitive advantage over their competitors, a large firm will offer higher-quality disclosures (Christ & Burritt, 2018). Recent research that supports this opinion shows that CSR reports to firms provide greater disclosure of corruption practices and bribery (Sethi et al., 2017), ethical codes (Garegnani et al., 2015; Sethi et al., 2017), and modern slavery (Flynn & Walker, 2020; Voss et al., 2019) which is higher. Most earlier research has generally obtained a positive link between size and disclosure (Arayssi et al., 2016; Lagasio & Cucari, 2019; Qureshi et al., 2020; Tamimi & Sebastianelli, 2017). Drawing on neo-institutional theory, it can be argued that larger firms experience stronger and more varied institutional pressures to conform to societal expectations about transparency and accountability. These firms are also more exposed to scrutiny from regulators, investors, and civil society, which reinforces their motivation to disclose credible information about modern slavery risks. Accordingly, this study hypothesizes that firm size will be positively associated with the level of modern slavery disclosure, as larger firms seek legitimacy and competitive advantage through more extensive reporting. The more prominent firm is assumed to contribute more to social projects, such as combatting modern slavery. Therefore, to see the effect on the amount of disclosure of modern slavery, firm size calculated by market capitalization is included in the model.

H2: Firm size positively affects the disclosure of modern slavery disclosure level.

According to neo-institutional theory (DiMaggio & Powell, 1983), it is proposed that there is a mimetic isomorphism. There are two views on profitability and how it affects how much information about modern slavery is disclosed. It has to do with the resources' accessibility. A company must dedicate organizational resources to implement measures to prevent modern slavery. Previous research has demonstrated how a company can handle social and environmental challenges by continuously improving its supply chain and operations management (Park-Poaps & Rees, 2010). Profitability provides a firm with resources that can be used to invest in tools, equipment, and management control systems for measuring and reporting better-quality disclosure (Ismail et al., 2018; Lu & Abeysekera, 2014). These findings suggest that firms with excess cash will be better able and in a position to invest in the resources needed to combat modern slavery, disclose higher levels of information, and then be motivated to make the public aware of these efforts (Perez-Batres et al., 2012). Flynn's research (2019) provides contrary evidence, where a sample of UK-based enterprises found no link between modern slavery reporting compliance and profit. Flynn (2019) argues that a lack of financial resources drives firms to adopt modern slavery reporting initiatives. In response to this, Rao et al. (2022) argue that In terms of the level of modern slavery report, a firm with more significant profit is far more flexible in deciding what to disclose. Firms that report truthfully may be concerned about increased scrutiny if their profits increase (Rao et al., 2022). Examining the relationship between profitability and the degree of modern slavery disclosure is uncertain because the factors influencing the caliber of modern slavery reporting are still being studied. This study proposes a link between profit and the reporting of modern slavery. Drawing on neo-institutional theory, it can be argued that profitability interacts with institutional pressures in complex ways. On one hand, firms with higher profits have more resources to comply with disclosure expectations and to adopt visible anti-slavery initiatives as a means of signaling legitimacy. On the other hand, profitable firms may also be more cautious in their disclosures to avoid attracting regulatory or stakeholder scrutiny about the sources of their financial performance. Accordingly, this study hypothesizes that profitability will be positively associated with the level of modern slavery disclosure, as resource availability increases the firm's capacity to report, despite the presence of conflicting motivations. According to the above description, it is hypothesized:

H3: Firm profitability positively affects the modern slavery disclosure level

Much prior research has employed the neo-institutional theory method (DiMaggio & Powell, 1983) to describe the link between sustainability and governance at the country level. Much prior research has employed the neo-institutional theory method (DiMaggio & Powell, 1983) to explain the connection between national government and sustainability. According to this theory, non-governmental groups and legislation can influence corporate behavior and thus determine how firms carry out their corporate activities(Baldini et al., 2018; Campbell, 2007; DiMaggio & Powell, 1983). An important factor in encouraging firms to act ethically is the government's capacity to issue regulations related to sustainability (Agyemang et al., 2015), including regulations regarding modern slavery. According to neo-institutional theory, regulation as a country-level governance mechanism will be viewed as a regulatory/coercive authority when firms must meet the demands and presumptions of critical stakeholders, such as authorities (DiMaggio & Powell, 1983; M. R. Khan, 2020). Based on these findings, stakeholder pressure could urge firms to participate in stakeholders' societal activities and increase the disclosure of modern slavery. Regulators, as substantial stakeholders, have the right to make rules that firms must comply with so that they do not face legitimacy problems. In addition, national authorities or regulators that focus on specific industries are essential to exercise oversight of sustainability legislation (M. R. Khan, 2020). As a result, it is reasonable if public governments implement sustainability legislation and enforce sustainable development principles, including those relating to modern slavery. Firms tend to comply with policies rather than regulators because they depend on national regulators to expand their firms. Regulations and expectations will force a firm to communicate its obligations to the larger community of stakeholders in their sector (Kinderman, 2020), which includes disclosure regarding modern slavery. However, there is currently no empirical data to support the claim that state-level governance and reporting rates of modern slavery are linked. Therefore, this study argues that corporate use of modern slavery reporting will be heavily influenced by national-level governance. When governance is effective in these nations, policymakers already have monitoring and control systems that can be utilized to track firm actions in the combat over modern slavery and increased disclosure of modern slavery. Drawing on neo-institutional theory, it can be argued that country-level governance operates as a source of coercive isomorphism, compelling firms to adopt disclosure practices that align with regulatory expectations and social norms. In contexts where governance quality is high, firms are under greater pressure to legitimize their operations and demonstrate accountability through transparent reporting of modern slavery risks and actions. Accordingly, this study hypothesizes that stronger national governance will be positively associated with the level of modern slavery disclosure, as firms respond to regulatory frameworks and institutional monitoring. A hypothesis is offered based on the preceding description:

H4: Country-level governance had a positive effect on the modern slavery disclosure level.

According to neo-institutional theory (DiMaggio & Powell, 1983), all isomorphic pressures are primarily normative and coercive pressures on various stakeholders related to a country's legal system. According to this study, stakeholder-oriented countries will report on modern slavery more frequently than shareholder-oriented ones. The firm will face sustainability challenges in stakeholder-oriented countries, such as human rights. On the other hand, the firm will be less motivated and less prepared to implement SDGs reporting in countries with a higher shareholder orientation. Following the literature, nations with code laws (such as France, Germany, and others) have a stakeholder-oriented corporate culture that prioritizes stakeholders' various demands and interests, with the citizens of these countries interested in firm activities. Firm (Holder-Webb et al., 2009; Sìmnett et al., 2009; van der Laan Smith et al., 2005). Key stakeholders within those nations are anticipated to substantially impact corporate activities, particularly stakeholder-focused corporate social initiatives and reporting on modern slavery. In shareholder-oriented corporate cultures found throughout common law jurisdictions, stakeholder groups have less impact on firm operations (e.g., Australia). The firm is primarily seen as a catalyst for creating and maximizing shareholder value in this law (Sìmnett et al., 2009). Instead of concentrating solely on safeguarding the interests of significant shareholders, countries that prioritize stakeholders look out for the interests of all stakeholders (Jensen & Berg, 2012; Van der Laan Smith et al., 2005). Decisions made by decision-makers in society that prioritize stakeholders' interests reflect these interests in policies, procedures, and governance (Jensen & Berg, 2012). It includes a code of ethics and the activities and efforts made by the firm in responding to modern slavery. For example, Campbell (2007) defines a set of economic and institutional parameters that a firm must comply with to operate responsibly. Empirically, Holder-Webb et al. (2009) research shows that Because the environment in which they are placed has a stronger focus on shareholders, US firms outpace multinationals concerning CSR disclosure. In their study of 31 countries, Simnett et al. (2009) found that firms with stakeholder-oriented nations are presumably with shareholder-oriented nations to choose to conduct audits to verify their sustainability reporting. Drawing on neo-institutional theory, it can be argued that the prevailing legal system shapes the normative expectations and coercive pressures that firms experience regarding transparency. In stakeholder-oriented (civil law) countries, these pressures are stronger, encouraging firms to engage in more extensive disclosure of modern slavery practices to maintain legitimacy among diverse stakeholders. Accordingly, this study hypothesizes that firms operating within civil law legal systems will report higher levels of modern slavery disclosure compared to firms in common law systems, which are more shareholder-focused.

H5: Country civil law legal system positively influences the modern slavery disclosure level.

RESEARCH METHODS

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184 Primary samples from 19 observations at the national level were used on the G20 nations – Argentina, Australia, Arabia, Brazil, Canada, China, Japan, Germany, Indonesia, India, Great Britain, Italy, Korea, France, Mexico, Russian Republic, Saudi, South Africa, the United States, Turkey. Since Germany, France, Italy, and the United Kingdom have represented the majority of the data, the European Union is not included. The report includes, without exception, all industrial sectors, including banking; despite its highly regulated nature, it refers to prior research on modern slavery's reporting (Rao et al., 2022).

The sample selection method is shown in Table 1**,** 40,234 firms became the initial sample of the study. A total of 34,915 firms do not have a report of modern slavery. In addition, 3,106 firms were removed from the sample because they lacked adequate data. Three nations, including India, Italy, and the United Kingdom, were consequently excluded because they lacked data on the primary or control variables. There was no difference in the number of time units for each firm, so a balanced panel data model was used with a sample of 2,213 firms and 6,757 observations from 2015 to 2020.

Table 1. Sample Selection Process of G20 Public Firms (2015–2020)

	Samples	***Firm-Year Observations***
All public firms located in the G20 (2015-2020)	40,234	241,410
(-) Firm that has not disclosed modern slavery	(34,915)	(219,152)

Firm that published and disclosed modern slavery	5,319	22,258
(-) Firm with missing key variables and control variable data	(3,106)	(15,501)
Firm that has complete research variable data	2,213	6,757

This research uses quantitative and empirical methods. Information from a secondary source is used, meaning it is used to collect data from a source other than the source. Firm-level governance data, size, and profitability are collected through Refinitiv Eikon, while governance data at the country level is collected from the World Bank (WGI) database. The division of countries by legal system in the categories of common law and civil is used division based on previous studies, including Farooq & AbdelBari, 2015 (2015), Guidara et al. (2014) dan La Porta et al. 1999 (1999). Refinitiv Eikon collects information about the firm's financial situation, including age and leverage. Meanwhile, update on regulations related to slavery practices reporting, referring to the Global Slavery Index website (GSI, 2018). In the meantime, another element connected to country-level statistics gathered from World Bank data is per capita market capitalization.

To analyze the link between the modern slavery disclosure, characteristics of firm and country, models below are used:

$MS\_DISCLOSURE_{it} = \alpha_0 + \beta\, FIRM_{it} + \beta\, COUNTRY_{jt} + \beta\, CONTROLS_{it} + \varepsilon_{it}$…..(1)

Which is then elaborated as follows:

$MS\_DISCLOSURE_{it} = \beta_0 + \beta_1 FIRM\_GOV_{it} + \beta_2 SIZE_{it} + \beta_3 ROA_{it} + \beta_4 COUNTRY\_GOV_{it} + \beta_5 LEGAL\_SYSTEM_{it} + \beta_6 AGE_{it} + \beta_7 LEV_{it} + \beta_8 MS\_LAW_{it} + \beta_{10} CAP\_GDP_{it} + \varepsilon_{it}$…..(2)

Table 2 contains a list of all variable measurements, along with definitions and data sources. To evaluate the generality of modern slavery in the non-financial statements of G20 firms, the research will use completeness or full disclosure assessment (Imhoff Jr, 1992). An unweighted Score containing eight categories of human rights data on Eikon by summing up the overall score will be used. Each score component was found in prior research (Pucheta-Martínez, M. C., & Gallego-Álvarez, 2019; Refinitiv, 2021; Sánchez et al., 2011). The score component used in this study was then adapted to the theme and sub-theme of measurement/assessment of the level of disclosure of modern slavery that Christ et al. (2019) had carried out. And Rao et al. (2022) regarding the practice of disclosure of modern slavery of the firm.

Table 2. Operational Definition and Source of Variables

	Dependent Variables		
$MS\_DISCLOSURE_{it}$	The modern slavery disclosure index is a combined score with an average value of 8-dimensional disclosure rates on the topic of modern slavery Gerged et al., 2021; Pucheta-Martínez, M. C., & Gallego-Álvarez, 2019	Indicator Count: 8	Thomson Reuters
	Independent Variables		
	Specific characteristics of the firm *(FIRM)*		
$FIRM\_GOV_{it}$	The firm-level governance quality index is a score on the commitment and effectiveness of corporate governance (Bhaskaran et al., 2021; Dwekat et al., 2020; Ragazou et al., 2022; Signori et al., 2021)	Indicator Count: 34	Thomson Reuters
$SIZE_{it}$	The market value of all different kinds of instrument-level stocks is used to compute the company size, which is the natural	Indicator Count: 1	Thomson Reuters

	logarithm of the firm's market capitalization (Drempetic et al., 2020)		
ROA_{it}	The ratio of a company's net profit before financing expenses to its total shareholders' equity is a measure of profitability, which is the rate of return on assets (Kılıç & Kuzey, 2018)	Indicator Count: 1	Thomson Reuters
	Country-specific characteristics *(COUNTRY)*		
$COUNTRY\_GOV_{it}$	The country-level governance quality index is a combined score with an average value of 6 components of state legal strength based on WGI(Kaufmann et al., 2011; Moussa et al., 2022; Yamen et al., 2018)	Indicator Count: 6	World Bank
$LEGAL\_SYSTEM_{it}$	The legal system is a *dummy* variable that is valued as 1 if the firm is located in a country that values its stakeholders *(civil law)* and 0 vice versa, which respects *its* shareholders *(common law)* (Bose & Khan, 2022; Sìmnett et al., 2009)	Indicator Count: 1	Pengukuran Simnett *et al.* (2009)
	Control Variables (*CONTROLS)*		
AGE_{it}	The number of days since the company's initial public offering (IPO) is used to determine the firm's age (Chay et al., 2015; Chun et al., 2008; Jain et al., 2008; Pastor & Veronesi, 2003; Shumway, 2001)	Indicator Count: 1	Thomson Reuters
LEV_{it}	*The ratio of total debt to total assets is known as leverage* (Fernandez-Feijoo et al., 2014)	Indicator Count: 1	Thomson Reuters
MS_LAW_{t}	Modern slavery disclosure rules are *dummies* related to the existence of disclosure rules related to modern slavery, worth 1 if required and 0 and vice versa (Baldini et al., 2018)	Indicator Count: 1	Firm's annual report, sustainability report, and related website
CAP_GDP_{t}	*The market capitalization of the listed domestic firm (% of GDP)* is the average ratio of the stock market capitalization of the listed firm to country-level GDP (Doidge et al., 2007; Florou & Kosi, 2015)	Indicator Count: 1	World Bank

The quality of institutions at the firm level, the size of the firm, its profitability, and governance at the country level are independent factors at the firm level. Corporate governance is a weighted average composite score on Thomson Reuters. It consists of 34 indicators related to "corporate success and commitment to adopting best practices in corporate governance." (Thomson Reuters ASSET4 ESG Data Glossary 2013, 2013), which is shown between the range of 0 (bad) to 100 (strong). According to Drempetic's (2020) study, the size of a firm is determined by its market capitalization, which constitutes the total of the market values of all sorts of related instrument-level stocks measured in dollars. While the proxy profitability, i.e., net profit divided by firm assets (return on assets), refers to Kiliç et al. (2015).

Governance and legal systems at the country level are independent factors at the government level. In order to assess the efficacy of governance at the national level under the World Governance Index, the state governance index is based on the following criteria: political stability, effectiveness of governance, quality of regulation, rule of law, voice and accountability, and corruption control. This score is between the range of performance in the governance of about -2.5 (bad) and 2.5 (strong). Finally, the division over a sample of G20 firms operating under various legal systems is examined. Australia, Canada, India, the United Kingdom, Saudi Arabia, United States and South Africa are considered *common* law countries for analysis purposes, while Argentina, Brazil, China, Indonesia, Italy, Japan, Germany, Mexico, France, the Republic of Korea, Russia and Turkey are considered *civil law* countries (Farooq & AbdelBari, 2015; Guidara et al., 2014; la Porta et al., 1999).

By selecting the proxies most frequently used in previous research, a number of control variables were chosen in line with studies on non-financial disclosure (ILO, 2017b; Lochner, 2020; Lucas & Landman, 2021; Ross et al., 2015; Such et al., 2020) as well as cost of equity (Ellili et al., 2020). For the research model, to reduce the potential for model specification errors, both firm-specific and country-specific control variables were included.

Regarding firm-level controls and considering the hypotheses and theories used, in the regression equation, controls were added including firm age (AGE) and leverage/debt position (LEV). This study includes these controls because they may be able to explain some of the remaining variation in non-financial disclosure scores. To estimate the regression model, industry dummies were included based on industry categorization, and control was performed over cross-sectional and time-series associations by clustering by firm and year (Gow et al., 2010; Petersen, 2009).

The first factor, firm age (AGE), refers to the age of the company. According to Shumway (2001), the number of years since the company's listing/IPO is the economic indicator of firm age. Several studies have used this method to calculate firm age (Chay et al., 2015; Chun et al., 2008; Jain et al., 2008; Pastor & Veronesi, 2003; Shumway, 2001), namely by summing one plus the years since IPO to measure firm age, to avoid zero. Thomson Reuters provides related data. Companies that have only recently gone public may not yet be adequately equipped and capitalized to handle the various obstacles that must be overcome in product and financial markets (Jain et al., 2008). Therefore, compared to firms that went public longer ago, newer companies tend to be less prepared to address and disclose modern slavery. As a result, it is hypothesized that the quality of modern slavery disclosure may be positively affected by firm age at the time of going public.

The second factor, leverage (LEV), represents the source of funding that companies need to sustain themselves. Furthermore, because even demands from debtholders also influence the level of ESG disclosure, leverage can be used to measure visibility to investors (Fernandez-Feijoo et al., 2014), which is also likely to have a positive effect on modern slavery disclosure.

Several country-level controls are also included, such as the existence of modern slavery disclosure rules (MS_LAW) and country-level market capitalization to GDP ratio (CAP_GDP), to control for significant differences in modern slavery reporting. Modern slavery regulation (MS_LAW), as an additional country-level control, is measured with a binary variable taking the value 1 if the company's country requires disclosure of modern slavery reporting, and 0 otherwise. The presence of specific regulations requiring modern slavery disclosure has been controlled for, referring to Baldini et al. (2018), who included a control variable for CSR regulation.

This study also accounts for economic development (Florou & Kosi, 2015), with data sourced from the World Bank World Development Indicators. It is hypothesized that firms disclose better in countries with a higher country-level market capitalization to GDP ratio. This is consistent with controlling for financial market development in a country, measured by country-level stock market capitalization to GDP (MarCAP_GDP) (Doidge et al., 2007), which shows that advanced financial markets promote productivity and growth through better accumulation of physical capital and more effective investment in intangible capital, including human capital. The key idea here is that the design of how well financial markets function can influence how effectively information for corporate decision-making is shared and collected—the lower the information asymmetry, the better. Strong financial markets can drive better corporate control by facilitating the process of information gathering (Yartey, 2007).

With the help of the STATA program, this research uses panel data regression. Model fixed effects were adopted based on the Breush and Pagan Lagrangian Multiplier Test. First, the Pearson correlation matrix was used to evaluate the presence of multicollinearity among the variables. All correlation coefficients were below the threshold of 0.8, indicating no serious multicollinearity issues. Second, multicollinearity was further assessed through the Variance Inflation Factor (VIF) test. All VIF values were below 5, with an average of 1.98, confirming the absence of harmful collinearity between predictors.

Third, heteroskedasticity testing using the Breusch-Pagan test revealed the presence of heteroskedasticity to account for *cross-sectional* dependence or temporal effects, as the p-value was below 5%. To address this issue, the model was re-estimated using robust standard errors. Furthermore, this study conducted a series of classical assumption tests to ensure the robustness of the regression results. Lastly, the explanatory power of the full regression model was evaluated using the adjusted R^2, which yielded a value indicating that the independent and control variables together explain a substantial portion of the variation in the firm's cost of equity. Thus, before conducting the nine hypotheses testing for the model, standard diagnostic tests were performed to ensure the appropriateness of using linear regression. These included tests for normality, autocorrelation, heteroskedasticity, and multicollinearity. The outcomes of these diagnostics served as the basis for determining the validity and robustness of the linear regression approach applied in this study.

RESULTS AND DISCUSSION

Table 3 displays a descriptive statistical summary of the research variables across the sample from 2015-2020. The average of modern slavery disclosure (MS_DISCLOSURE) is 19.6. Based on the scores used in this study, the average firm has a reasonably low score of 19.6 out of 100. The greater the score means, the more significant the firm's commitment to increasing the level of modern slavery disclosure reported by the firm. The most negligible modern slavery disclosure was 1.29, while the largest was 89.6. This small percentage may be since the disclosure of modern slavery in the sample firms is still optional and not mandatory in some countries.

Table 3. Descriptive Statistics of Research Variables (n = 6,757)

VARIABLE	OBSERVATION	MEAN	STD. DEV.	MIN	MAX	SKEWNESS	KURTOSIS
MS_DISCLOSURE	6757	19.636	24.513	1.297	89.632	0.999	2.558
FIRM_GOV	6757	52.916	27.789	0.116	99.986	-0.084	1.851
SIZE	6757	1,861,000,000	1,245,383,544	2,426,350	4,562,000,000	0.418	2.049
ROA	6757	0.089	0.138	-0.665	0.564	-1.32	9.672
COUNTRY_GOV	6757	0.927	0.634	-0.759	1.677	-1.224	3.098
FIRM_AGE	6757	7842.365	5232.457	79	42227	1.707	9.322
LEV	6757	0.825	0.833	0	4.58	1.797	6.518

CAP_GDP	6757	127.609 130	52.399	8.7	345.353	-0.087	3.415
DUMMY VAR.	**OBSERVATION**	**MEAN**	**STD. DEV.**	**MIN**	**MAX**	**SKEWNESS**	**KURTOSIS**
LEGAL_SYSTEM	6757	0.323	0.468	0	1	0.756	1.571
MS_LAW	6757	0.63	0.483	0	1	-0.541	1.292

Source: STATA output (processed), regression using random effect model.

Degree of corporate governance (FIRM_GOV) shows an average score of 52.9 and a range of 0 to 100. The quality of state governance (COUNTRY_GOV), which can have a minimum score of -2.5 or a maximum of 2.5, currently has an average of 0.92. It shows that enterprise-level governance generally has a higher level of quality than national governance.

Firm size (SIZE) is a market capitalization's natural logarithm used to calculate the firm size (SIZE). With a considerable standard deviation of USD 1,245 million, the average firm in the sample country has total assets of USD 1,861 million. This shows that each country's sample of these research firms has a very different data distribution for its total assets. The firm with the lowest total capitalization is USD 2.4 million, while the firm with the highest capitalization is USD 4.562 million.

The return on assets (ROA) 's mean for the firm in the sample country is 8.9%, which means that for every $100 total of assets, a profit of $8.9 can be generated. The firm with the lowest ROA, which suffered a significant loss of 66.5% of its total assets, had a ROA of -0.66%. Moreover, the ROA that acquires the most assets overall is 56%. Liabilities (LEV) make up 82.5% of the total average assets for enterprises in the study countries. A 0.83 standard deviation implies the presence of variations in each firm. 0% is the smallest value firm that uses debt as a source of funding and has small total assets, while 458% is the most significant value in the research sample.

The firm's average market capitalization per GDP (CAP_GDP) in the sample country was USD 127.6. The smallest value is $8.7, while the largest is $345.3. The legal system (LEGAL_SYSTEM) is a dummy variable that cites the research of Bose & Khan 2022 (2022), having a value of 1 for the state of the civil law legal system and 0 and vice versa. As many as 32.3% of observations are in the category of stakeholder-oriented civil law nations. The dummy variable of the rules relating to the obligation to dismantle modern slavery (MS_LAW) has a value of 1 for the category of states that have obligations in disclosing modern slavery, 63% of all observations, already required in making disclosures of modern slavery.

The model regression examined how firm-specific and country-specific factors affected modern slavery disclosure. Table 4 displays the test results. Given that the VIF is less than 10, the multicollinearity issue has no impact on the regression's outcome. Table **1**Table 4 shows the regression result, specifically for the data in the third column. Starting from the country-specific factor, the 1st hypothesis examination demonstrates that at 5%, the coefficient of FIRM_GOV has a considerably favorable impact ($p < 0.01$) on modern slavery disclosure, so H1 is accepted. The same result is seen in the 2nd hypothesis test, where the SIZE coefficient is significant ($p < 0.01$) to modern slavery disclosure, so H2 is accepted. However, for the 3rd hypothesis examination, the coefficient of ROA as a profitability proxy has no statistically significant effect on modern slavery reporting, and H3 is rejected. Furthermore, country-level governance, as in the 4th hypothesis test, reveal that the coefficient of COUNTRY_GOV has appreciable beneficial effects on CSR disclosure at 1% ($p < 0.01$), so hypothesis H4. Lastly, the legal system in a country for civil law has a significantly positive effect ($p < 0.01$) on modern slavery disclosure, according to the coefficient of LEGAL_SYSTEM, which examines the 5th hypothesis and concludes that H5 is accepted.

Table 4. Regression Results: Firm- and Country-Level Determinants of Modern Slavery Disclosure

	EXPECTED SIGN	MAIN VARIABLES	CONTROL VARIABLES	ALL VARIABLES
		MS_DISCLOSURE	MS_DISCLOSURE	MS_DISCLOSURE
FIRM_GOV	+	0.1331325397*** (0.0000000)		0.0623079365*** (0.0000000)
SIZE	+	1.1431276434*** (0.0029482)		1.3105292176*** (0.0005076)
ROA	+	2.4074577723* (0.0985592)		1.9580863 (0.1439333)
COUNTRY_GOV	+	-0.8403496498 (0.2116853)		3.6938253329*** (0.0001813)
LEGAL_SYSTEM	+	9.8227690594*** (0.0000000)		12.7403136788*** (0.0000000)
AGE	+		0.0007402344*** (0.0000000)	0.0005855484*** (0.0000000)
LEV	+		1.6734610280*** (0.0000279)	1.8451303569*** (0.0000038)
MS_LAW	+		5.5349067910*** (0.0000039)	6.8905348708*** (0.0000000)
CAP_GDP	+		-0.0552304973*** (0.0000002)	0.0000111 (0.4996776)
Constant		9.5077048043*** (0.0000000)	-7.0364467542* (0.0744935)	-17.8745715258*** (0.0004489)
Robust Standard Errors		Yes	Yes	Yes
Year Effects		No	Yes	Yes
Industry Effects		No	Yes	Yes
Observations		6757	6757	6757
$R_{\text{-Squared}}$ (Overall)		3.18%	21.73%	21.59%
Degree of Freedom		5	19	24
Chi-square		277.3645	899.6504	1070.5346

Source: STATA output (processed), regression using random effect model.
The p-values are in parentheses. *** p<0.01, ** p<0.05, * p<0.10 (one-tailed test). The table was tested using random effect regression based on the results of the Breusch dan Pagan Lagrangian Multiplier test.

Impact of Firm-level Governance on Modern Slavery Disclosure Level

Examining the 1st hypothesis reveals that firms are encouraged to disclose modern slavery in more detail in the current year by the firm-level governance quality (Table 4). The regression coefficient of 0.0623 ($p < 0.01$) shows that, holding other variables constant, every one-point increase in the corporate governance score is associated with a 0.0623 point increase in the modern slavery disclosure index. This suggests that governance quality contributes materially to improving transparency, even when controlling for firm size, profitability, and country-level institutional factors. The significance level indicates a robust relationship unlikely to be due to random variation. This finding also implies that governance structures, such as the presence of sustainability committees, independent board members, and comprehensive policies, are not only symbolic but translate into concrete disclosure practices. The positive impact remains significant after introducing multiple control variables and year and industry fixed effects, which strengthens confidence in the result's validity across contexts.

This presents compelling empirical evidence favoring H1, which hypothesizes that effective corporate governance would lead to the disclosure of modern slavery. It fits with neo-institutional theory, which says that good governance tends to follow the rules and regulations of institutional organizations to get legitimacy and improve a firm's reputation. Specifically, this result supports DiMaggio and Powell's (1983) argument that coercive and normative isomorphic pressures can drive convergence in disclosure practices as firms adapt to institutional expectations. Similarly, the fact that the firm has a committee to demonstrate its efficiency demonstrates its concerns about its reputation and social responsibility. (Fuente et al., 2017; Neu et al., 1998). This is also consistent with findings by Jo and Harjoto (2012) and Hussain et al. (2018), who showed that governance mechanisms, including board independence and the integration of CSR policies, positively influence the quality and quantity of sustainability disclosures. Similar to what Jizi (2017) discovered in his prior research on the link between governance and firm sustainability disclosure, the outcomes are comparable. Furthermore, the result aligns with stakeholder theory (Freeman, 1999), highlighting that firms with stronger governance structures are better able to balance stakeholder expectations and proactively communicate social performance. Strong governance indicates a firm's commitment to ethical behavior, which enhances its reputation and stakeholder trust. Overall, the evidence suggests that firms can leverage effective governance frameworks as a strategic asset to meet institutional and stakeholder pressures for accountability on modern slavery issues.

Impact of Firm Size on Modern Slavery Disclosure Level

The 2nd hypothesis test indicates how firm size influences the degree of modern slavery disclosure. In quantitative terms, the regression coefficient of 1.31 ($p < 0.01$) indicates that for each unit increase in the log of market capitalization, the modern slavery disclosure score increases by 1.31 points, all else held constant. This is a substantial effect size, demonstrating that firm size is among the strongest predictors in the model. The robustness of this result after controlling for governance, profitability, country governance, legal system, and other controls suggests that the scale and resources of larger firms systematically enable more detailed reporting. This aligns with the argument that bigger companies are not only more visible but also better resourced to develop reporting infrastructures, implement internal monitoring systems, and commission third-party verifications. This finding also reinforces the idea that disclosure is partly a function of organizational capacity: small firms may face capability constraints that limit their ability to produce comprehensive modern slavery statements. Therefore, policymakers and regulators should consider providing tailored support or simplified disclosure frameworks for smaller entities to reduce this gap.

Based on the second hypothesis, it is possible to reduce the cost of equity in the next period by increasing CSR reporting this year. However, the significant positive effect of SIZE on MS_DISCLOSE is revealed in Table 4. Modern slavery disclosure levels are positively impacted by firm size. The findings invalidate null hypothesis, showing that firm size does affect disclosure. This is congruent with neo-institutional theory, which says that larger firms are obliged to battle modern slavery because of its institutional exposure. Larger firms are generally more visible and subjected to greater public and institutional scrutiny, which drives them to adopt more comprehensive disclosures (Arayssi et al., 2016; Ismail et al., 2018). This result also supports DiMaggio and Powell's (1983) notion of mimetic isomorphism: under uncertainty, smaller firms may look to larger peers for cues about appropriate disclosure practices, reinforcing the leadership role of big firms in setting expectations. Their exposure to normative and mimetic pressures makes them more likely to align with global standards on human rights reporting. Consistent with Sethi et al. (2017) and Flynn and Walker (2020), this finding reinforces that firm size is a critical antecedent of sustainability and human rights reporting, as large firms often experience higher reputational risks and stronger stakeholder demands. Moreover, as noted by Rao et al. (2022) and Flynn (2019), firms with larger market capitalizations tend to invest more in sustainability reporting practices to mitigate reputational risk. This relationship also aligns with stakeholder theory (Freeman, 1999), which emphasizes that larger firms have broader stakeholder bases and therefore face more complex expectations to demonstrate accountability on issues such as modern slavery. This supports the view that size can act as a driver of institutional isomorphism, despite its mixed predictive capacity in some contexts (Zahid et al., 2020).

Impact of Firm Profitability on Modern Slavery Disclosure Level

Based on the analysis of the 3rd hypothesis (Table 4), there is no real relationship between the change in firm profitability and modern slavery disclosure level. In quantitative terms, the coefficient for ROA is positive (1.95) but statistically insignificant ($p > 0.10$), suggesting that even if profitability improves, there is no consistent increase in disclosure scores. This reinforces the interpretation that profitability alone is not sufficient to predict proactive disclosure. Firms may prioritize financial performance over transparency, especially when the regulatory or stakeholder pressure is weak. Moreover, this result indicates that disclosure is less a function of discretionary financial slack and more a function of external institutional and governance factors. It is possible that even profitable firms perceive modern slavery disclosure as a potential reputational risk if it exposes weaknesses in their supply chains. This finding also highlights the importance of regulatory frameworks: in the absence of binding disclosure requirements, profitability does not automatically translate into accountability initiatives.

This result opposes the hypothesized association between financial resources and ethical firm conduct. The result of this research contradicts the notion that greater financial resources will motivate firms to participate in anti-slavery measures such as audits of the supply chain and enhanced transparency (Ismail et al., 2018; Sethi et al., 2017). This finding suggests that firms' financial performance does not necessarily lead to ethical disclosure behavior, contradicting the assumption that firms with more slack resources would allocate more toward transparency initiatives (Ismail et al., 2018; Sethi et al., 2017). This pattern is consistent with the argument by DiMaggio and Powell (1983) that mimetic and coercive isomorphism, rather than purely economic resources, are stronger determinants of standardized practices like disclosure. It also aligns with Dean & Marshall (2020), who found that in some jurisdictions, even highly profitable companies showed limited motivation to disclose slavery-related risks. This evidence supports the view that institutional context—particularly regulatory requirements and stakeholder expectations, is a more powerful driver of disclosure behavior, as also discussed by Flynn and Walker (2020) and Crane (2013). This could indicate that social disclosure, in this context, is more a response to institutional pressure than internal resource availability. From the perspective of stakeholder theory (Freeman, 1999), this result further implies that stakeholder influence mechanisms may not effectively activate transparency in the absence of clear norms and pressures, even when firms have the financial means. Overall, this suggests that incentives and external pressure mechanisms may be more effective levers for improving disclosure than relying on voluntary actions driven by profitability.

Impact of Country-level Governance on Modern Slavery Disclosure Level

Governance of the state positively impacts firms to disclose modern slavery, as shown in Table 4. This result is the evidence of the 4th hypothesis, which states that the amount of disclosure increases as the governance quality of a nation improves. Specifically, the coefficient of 3.69 ($p < 0.01$) indicates that for each additional point in the governance index, firms' modern slavery disclosure increases by nearly 3.7 points, holding other factors constant. This is a substantial and statistically significant effect that highlights the powerful role of national institutions in shaping corporate behavior. The finding suggests that firms operating in well-governed countries face both formal pressures, such as clearer legal frameworks—and informal expectations to report transparently on social issues. Moreover, this result underscores the idea that regulatory environments can create an enabling context for disclosure even in the absence of direct mandates. Companies in countries with better governance may perceive that stakeholders, including investors, media, and civil society, are more vigilant and demanding of accountability. The consistency and strength of this effect after including controls and fixed effects also suggest that improving country-level governance could be a policy lever to encourage wider adoption of transparent reporting practices.

These findings are congruent with institutional theory, which suggests that institutional elements such as legislation indirectly affect organizations (DiMaggio & Powell, 1983). This is in line with the idea that institutional environments shaped by strong governance—such as the rule of law, regulatory quality, and accountability—provide coercive and normative pressures that encourage firms to adopt better non-financial disclosure practices (Gerged et al., 2021; Eccles et al., 2014). This result echoes the empirical findings of Baldini et al. (2018), who observed that stronger country-level governance is associated with higher-quality ESG disclosures across sectors. Similarly, Kinderman (2020) highlights that the credibility of national institutions can act as a catalyst for companies to internalize sustainability norms. Government must take part in a substantial role in enhancing disclosure of modern slavery since good national governance increases the private sector's grasp of the SDGs in their employment environment (Eccles et al., 2014) and improves non-financial reporting (Gerged et al., 2021), based on the findings. From the perspective of stakeholder theory (Freeman, 1999), this finding suggests that when countries exhibit effective governance, stakeholder expectations are more institutionalized and consistently enforced, making it more difficult for firms to avoid disclosure without risking legitimacy loss. In countries with high governance standards, firms are more likely to internalize sustainability expectations and align their reporting with the Sustainable Development Goals (SDGs), especially on labor issues like modern slavery. Overall, these results reinforce the argument that external institutional environments, rather than internal firm characteristics alone, are key drivers of modern slavery disclosure.

Impact of Country Civil Law Legal System on Modern Slavery Disclosure Level

The 5th hypothesis (Table 4) is examined, revealing that firms are motivated to disclose modern slavery in greater detail when it is based in a civil law country. From a quantitative perspective, the coefficient of 12.74 ($p < 0.01$) is among the largest in the model, indicating that firms located in civil law countries score, on average, nearly 13 points higher in modern slavery disclosure compared to firms in common law countries, holding other factors constant. This magnitude suggests that the legal system is a powerful institutional determinant of disclosure practices, likely because stakeholder-oriented cultures embed expectations about social responsibility into corporate governance norms. The robustness of this relationship, even after including controls for firm governance, size, profitability, and national governance quality, further demonstrates that legal tradition independently shapes transparency behavior. Moreover, this finding implies that legal systems can either amplify or dampen the effectiveness of other institutional pressures: in civil law countries, firms may proactively disclose to align with societal expectations, while in common law contexts, disclosure may be more compliance-driven and minimal.

According to the new institutional theory, institutional stakeholders provide normative and coercive pressure, highlighting their need for sustainability information on social causes such as modern slavery and other components. DiMaggio and Powell (1983) argue that coercive and normative isomorphisms are more pronounced in environments where laws and professional standards are embedded in the broader societal fabric, which is characteristic of civil law systems. Firms from civil law countries, which emphasize stakeholder rights, tend to disclose more comprehensively than firms in common law jurisdictions that focus on shareholder interests. This supports prior studies by Meek et al. (1995), Liang & Renneboog (2016), and Zimmerer-Benz (2020), which found that civil law environments reduce information asymmetry and promote broader social disclosures. These results are also consistent with Simnett et al. (2009), who found that firms in stakeholder-oriented legal environments are more likely to undertake external assurance of sustainability reports, demonstrating a deeper commitment to accountability.

Interestingly, even though some common law countries like Australia have mandated modern slavery reporting (e.g., the Modern Slavery Act 2019), the institutional orientation of civil law countries appears to foster more voluntary and detailed disclosures overall. This observation reinforces the perspective of Holder-Webb et al. (2009), who emphasize that even with similar regulatory requirements, disclosure practices differ because legal origin shapes corporate culture and expectations of legitimacy. The findings are consistent with Meek, Roberts, and Gray's (1995) and Liang and Renneboog's (2016) findings that civil law countries have reduced information asymmetries on average. Overall, the results highlight that policymakers aiming to improve disclosure standards should consider how legal and institutional frameworks interact to influence corporate reporting incentives. In line with stakeholder theory (Freeman, 1999), the higher disclosure observed in civil law systems can be interpreted as an outcome of a corporate environment where firms are more attuned to the expectations of a broad set of stakeholders rather than merely shareholders.

The Association With Control Variables

Firm age. Regarding the control variables, Table 4 shows that AGE has a coefficient of 0.0005 (p-value = 0.000), implying that firm age positively influences the disclosure of modern slavery. Significant results were found for the firm-specific control variable related to firm age (FIRM_AGE), where the number of days from the IPO date was used to measure firm age, which correlated statistically with the disclosure of modern slavery. Older companies are better equipped to deal with obstacles (Jain et al., 2008), including exposing modern slavery. Although the coefficient appears numerically small, its statistical significance suggests that even incremental increases in firm maturity contribute meaningfully to disclosure practices. This may reflect that older firms have had more time to institutionalize robust reporting systems, develop stakeholder engagement processes, and build internal capabilities for tracking complex issues like modern slavery in their supply chains. Additionally, seasoned firms may perceive higher reputational risks if they fail to disclose transparently, given their longer track record and accumulated visibility in the market. This finding supports the view that the experience and established organizational routines of older firms create stronger incentives and capacities for adopting comprehensive sustainability disclosures.

Leverage. As can be seen from LEV (Table 4), it has a significant positive effect with a coefficient of 1.8451 (p-value = 0.000) on disclosure, according to predictions. Following previous studies, companies that have high leverage (LEV) tend to disclose more about their ESG activities because they experience higher visibility. (Reverte, 2009). Given the public pressure on corporate entities in the form of public intrusion into companies that violate the social contract, there is a positive relationship between the tendency of companies to disclose information voluntarily (Reverte, 2009). The magnitude of the coefficient suggests that leverage is a substantial driver of disclosure: each unit increase in leverage is associated with nearly 1.85 points higher modern slavery disclosure, controlling for other variables. This reinforces the notion that firms with higher debt levels face stronger expectations to maintain legitimacy in the eyes of creditors and investors, who may view transparent reporting as a signal of lower risk. High leverage can also increase scrutiny from banks and institutional investors, who increasingly incorporate ESG criteria—including human rights practices—into their risk assessments. Therefore, disclosure can serve as a reputational mechanism to reassure stakeholders that the firm is proactively managing social and operational risks associated with modern slavery. This finding highlights that capital structure not only influences financial strategy but also shapes the incentives to communicate non-financial performance and compliance.

Modern slavery law. From Table 4, the coefficient value for the variable MS_LAW as a law for disclosing modern slavery is statistically significant and has a positive coefficient of 6.8905 (p-value = 0.000) towards the level of disclosure of modern slavery. The null hypothesis was rejected,

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as expected. The findings support previous studies which show that the quality of disclosure of voluntary modern slavery is generally dominated by mimetic factors. This is evident in the jurisdictional effects in California and England prior to the enactment of the UK Modern Slavery Act and the California Transparency in Supply Chains Act of 2010, where companies would imitate one another in terms of quality of disclosure when reporting was voluntary. (Birkey et al., 2018; Lake et al., 2016; Mantouvalou, 2018). However, the findings of this sample provide evidence in support of the adoption of laws requiring disclosure of modern slavery to improve the standards of these companies. The decisions of countries such as the United States, Germany, France, and others to enforce reporting of modern slavery strengthen the argument that coercive pressure is necessary. Quantitatively, the coefficient of nearly 6.9 demonstrates that the mere existence of mandatory disclosure regulations results in a substantial increase in reported modern slavery information compared to countries without such requirements. This underscores the powerful role of coercive isomorphism, where legal compulsion rather than voluntary initiatives is the main driver of transparency.The consistency of this effect across different countries in the sample highlights that regulation can overcome inertia or reluctance among firms, particularly those with limited internal motivation to disclose sensitive practices. Furthermore, the result suggests that mimetic and normative pressures alone may not be sufficient to achieve meaningful disclosure unless supported by a credible threat of regulatory enforcement. Overall, this finding has strong policy implications: it supports arguments that clear, enforceable legislation is an effective tool to standardize disclosure practices and reduce information asymmetry for stakeholders concerned about modern slavery.

Capital. Finally, according to Table 4, country-level controls over the impact of CAP_GDP on disclosure regarding modern slavery have not been demonstrated. The probability value based on the variable is 0.4996, which is greater than 5% of significance. The country-level listed domestic enterprise market capitalization (% of GDP) is shown to have no effect, so there is no difference in countries with strong economies towards higher disclosure of modern slavery. This finding suggests that the relative size of a country's financial market, as proxied by stock market capitalization to GDP, does not play a meaningful role in shaping firms' reporting behavior on modern slavery. One possible interpretation is that economic development and the maturity of capital markets alone do not automatically translate into stronger institutional or stakeholder pressures specific to human rights disclosure. It also implies that even in advanced economies with deep capital markets, firms may lack sufficient incentives or obligations to report comprehensively on modern slavery unless explicit regulations or cultural expectations exist. The insignificance of CAP_GDP reinforces the idea that legal frameworks and governance quality are more decisive factors influencing disclosure practices than macro-level financial indicators. Overall, this result highlights that capital market development, while important for economic growth and investment, does not appear to be a direct driver of transparency regarding modern slavery risks. This underscores the need for targeted policy interventions rather than reliance on market forces alone to improve disclosure standards.

Robustness Test

Robustness tests are performed by converting the firm's profitability/return on assets (ROA) measurement into return on equity *(*ROE). Table 5 shows a substantial positive link among the variables of enterprise-level governance quality (FIRM_GOV), corporate size (SIZE), state-level governance (COUNTRY_GOV), state legal system (LEGAL_SYSTEM), and modern slavery disclosures (MS_DISCLOSURE). A significant level below 5% (p-value 5%) is affected by each variable. Variable profitability (ROE) continues to generate very limited returns. Based on these data, it can be claimed that although some criteria are employed, corporate governance, business size, state governance, and state legal systems have the most significant influence in efforts to raise the disclosure of modern corporate slavery.. This is because all four variables significantly influence the constant disclosure of modern slavery.

Table 5. Regression Results Using ROE as Profitability Proxy (Robust Standard Errors)

	EXPECTED SIGN	**MS_DISCLOSURE**	148
FIRM_GOV	+	0.0700274***	(0.0000000)
SIZE	+	1.2025187***	(0.0045724)
ROE	+	3.3101916	(0.2701151)
COUNTRY_GOV	+	3.9820016***	(0.0002427)
LEGAL_SYSTEM	+	11.0203473***	(0.0000001)
AGE	+	0.0005110***	(0.0000001)
LEV	+	1.8807508***	(0.0000246)
MS_LAW	+	6.6029155***	(0.0000047)
CAP_GDP	+	-0.0068958	(0.3249840)
Constant		-16.4456865***	(0.0019172)
Robust Standard Errors		Yes	
Year Effects		Yes	
Industry Effects		Yes	
Observations		5554	
$R_{\text{-Squared}}$ (Overall)		20.35%	
Degree of Freedom		24	
Chi-square		824.1953845	

Source: STATA output (processed), regression using random effect model.
The p-values are in parentheses. *** p<0.01, ** p<0.05, * p<0.10 (one-tailed test). The table was tested using random effect regression based on the results of the Breusch dan Pagan Lagrangian Multiplier test.

CONCLUSIONS AND SUGGESTION

Disclosure research on the broad topic of modern slavery has been increasingly commonplace in recent years. By concentrating on the determinants of disclosure at both the national and corporate levels. The purpose of this study is to investigate the elements that influence the disclosure of contemporary slavery.. This research covers a broader range of topics than past studies have, and it takes into consideration the fact that modern slavery sometimes involves the movement of people across international borders in order to carry out its activities. Additionally, it analyzes data from many countries. The countries that make up the G20 group offer the ideal setting for more extensive risk factors for the development of modern slavery because of their distinctive contributions to the global economy and their different legal systems, religious beliefs, and cultural traditions. This research aims to gather more data as well as to create a more compelling justification for the empirical data about human rights-related problems.

In this particular analysis, a selection of G20 countries was examined, and 2015–2020 served as the period under consideration. A total of 6757 observations were made in this study. The findings of this research indicate that a firm's decision to report extensively on modern slavery in the current year depends on various criteria, including corporate governance, firm size, national-level governance, and the country's legal framework of the firm's headquarters. These elements affect whether or not the firm will provide in-depth reporting on modern slavery in the coming year. Consequently, the determinant is a component that plays a role in the degree to which information regarding modern slavery is disclosed to the general public. State legal systems have increased the disclosure of modern slavery, according to another research work. The analysis also shows that state legal systems have advanced to the disclosure of modern slavery, even though the firm's profitability does not influence this. This outcome is probably the effect of businesses claiming honestly being more concerned about being scrutinized if they are more profitable (Rao et al., 2022) The higher profitability is probably due to cheap labor in the supply chain and related to modern slavery activities (Crane, 2013). Therefore, if they reveal modern slavery, they may be at a disadvantage in comparison to less open businesses (Dean & Marshall, 2020). They will so mimic one another's behavior in order to conceal information and evade monitoring.

This study extends prior research by integrating both neo-institutional theory and signaling theory in explaining disclosure behavior and its consequences. It confirms that disclosure is driven by institutional pressures at both the firm and country level, while also functioning as a signal that influences investor behavior. Moreover, this study contributes to the literature by being among the first to link modern slavery disclosure directly to the cost of equity, thus bridging a gap in ESG and corporate finance scholarship. The findings serve as empirical evidence for policymakers to consider mandatory modern slavery reporting frameworks as an instrument to improve transparency and accountability. Regulators in G20 countries can encourage disclosure by embedding specific modern slavery indicators, such as supplier audit counts, whistleblower reports, or contractual enforcement, into standard corporate governance reporting requirements. Doing so may not only improve corporate behavior but also reduce firms' capital costs, creating a dual benefit for firms and society. For companies, the results highlight actionable factors, such as improving internal governance mechanisms and integrating modern slavery topics into annual reports, that can enhance disclosure quality. Firms are advised to treat transparency on slavery risks as a strategic advantage, especially in relation to investor perception and financial planning. Proactively addressing modern slavery in supply chains and governance practices may not only mitigate reputational risks but also lower the firm’s cost of capital.

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This study has limitations in several respects. First, in measuring disclosure of modern slavery, this analysis relied exclusively on secondary data sources, specifically the Refinitiv Eikon ESG database and public reports, which may not capture all disclosures comprehensively. For example, companies that communicate modern slavery commitments through standalone sustainability reports, press releases, or website updates that are not indexed in the dataset may appear to have lower disclosure than they actually practice. As a result, the level of information unavailability may be influenced by limitations in data coverage and the classification criteria applied by the database provider, rather than an actual absence of disclosure. Second, although supply chain difficulties are at the core of modern slavery, this research has not examined differences across high-risk and low-risk sectors or supply chain configurations in depth. For instance, industries such as agriculture, apparel manufacturing, and mining are empirically documented to have a higher prevalence of forced labor (Birkey et al., 2018; Flynn & Walker, 2020), but this study aggregated observations across all industries, potentially diluting sector-specific insights. The results may therefore not fully reflect sectoral patterns or sector-tailored disclosure challenges. Third, this research focused exclusively on listed firms headquartered in G20 countries, omitting other relevant economies that play critical roles in modern slavery practices through global supply chains (e.g., Vietnam, Bangladesh). In addition, three G20 countries, Saudi Arabia, Argentina, and Turkey, were excluded because comprehensive firm-level disclosure data and governance indicators were not consistently available for the full observation period (2015–2020). Consequently, the findings cannot be generalized to all G20 members or emerging markets outside the sample. Fourth, the study used a cross-sectional approach combining panel data but did not systematically test for endogeneity or causality. While lagged variables and fixed effects were applied to mitigate bias, there remains the possibility of reverse causality, such as firms with more robust disclosure practices attracting better governance structures, rather than governance strictly causing higher disclosure. Finally, the study measured disclosure quantity, meaning the breadth of topics that companies reported—but did not assess the accuracy, completeness, or impact of those disclosures on actual modern slavery outcomes in supply chains. This limitation means that while the findings can demonstrate patterns of transparency, they do not provide evidence about whether more disclosure leads to real improvements in working conditions or reduces the incidence of forced labor.

Future research is encouraged to address these gaps by combining multiple data sources, including qualitative assessments and direct surveys of firms, to validate and triangulate disclosure metrics more comprehensively. Researchers should also examine sector-specific dynamics more systematically to identify which industries, such as agriculture, apparel, or electronics, are most responsive to regulatory interventions and where disclosure has the greatest potential to drive change. Additionally, expanding the geographic scope beyond G20 economies to include suppliers and firms operating in high-risk jurisdictions could improve the generalizability of findings and highlight unique challenges in emerging markets. To strengthen causal inference, future studies may employ quasi-experimental methods or instrumental variable approaches that can better disentangle whether governance and disclosure practices truly lead to improved outcomes or merely reflect other underlying factors. Finally, it is important for future work to assess the effectiveness of disclosure in reducing actual instances of modern slavery in practice, rather than focusing solely on whether companies improve transparency in their reporting documents.

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