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THE ROLE OF AUDIT COMMITTEE ATTRIBUTES IN ENHANCING OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DISCLOSURE STANDARDS

Ketut Redita[1], Ni Made Ari Cahyani[2],Rinaningsih Rinaningsih[3*]
[123] *Program Studi Akuntansi, Fakultas Ekonomi dan Bisnis, Universitas Prasetiya Mulya, Tangerang*
*Email: rinaningsih@pmbs.ac.id

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Abstract

This research aims to evaluate how the characteristics of the audit committee contribute to the enhancement of environmental, social, and governance (ESG) reporting standards. The audit committee's contribution is assessed through financial acumen, scope, autonomy, and the regularity of its meetings. This study does not only focus on certain industries but all industries with ESG scores that are routinely assessed by Bloomberg for the 2017-2021 period in Indonesia except the financial industry. The sample comprises of 67 companies, so that the total observations used are 335 firm-years with fixed effect model data panel analysis. The findings imply that the independence of the audit committee's independence has a notably positive impact on the quality of ESG disclosures. Meanwhile, the frequency of audit committee meetings has a notably negative impact on the quality of ESG disclosures. However, financial expertise and the size of audit committee do not correlate to the quality of ESG disclosures. The sensitivity analysis supports the entire result of the hypothesis test. Sensitivity tests were carried out on each of the ESG components, namely Environmental, Social and Governance.

INTRODUCTION

There has been ongoing debate about the efficiency of audit committees due to the many failures of sound corporate accounting practices in the early 2000s (Edrawes et al., 2018; Oussii et al., 2019). An example is the bankruptcy of large companies such as Enron, WorldCom, and Satyam, questioning the competence of the audit committee in terms of ensuring that financial reports are presented correctly and fairly (Olayinka, 2019). An audit committee is foreseen to enhance control of the company's management reporting to ensure greater objectivity. Agyei-Mensah (2018) suggests that the audit committee must seriously carry out supervision so that it can mitigate manipulation of annual reports.

Along with the times, the roles assigned to the audit committee are now not limited to supervising the process of financial reporting but also ensuring that the company or company discloses social, economic and environmental long-term responsibilities in a more transparent manner (Appuhami & Tashakor, 2017). This responsibility appears to oversee management because company management may use ESG disclosure to gain personal benefits such as gaining incentives and reputation but can cause losses to shareholders (Broadstock et al., 2019).

There are numerous company guidelines in disclosing ESG aspects such as ISO 26000, Sustainability Accounting Standards Board (SASB), Global Reporting Initiative

(GRI), International Integrated Reporting Council (IIRC) (Anggraeni & Djakman, 2018), including OJK Regulation Number 51/POJK. 03/2017 which adopted the GRI standard. However, these guidelines cannot be used as a reliable measure for Comparing enterprises within the same industry or between different industries (Almeyda & Darmansyah, 2019). In addition, the different levels of complexity, content, and delivery style of reported information can lead to ambiguous perspectives, making it difficult for stakeholders to assess aspects of ESG performance (Almeyda & Darmansyah, 2019). So this situation is the reason the audit committee needs to oversee non-financial reporting practices such as disclosure of ESG in addition to its main task of supervising the company's financial statements (Karamanou & Vafeas, 2005).

The Research Center for Governance, Institutions, and Organizations at the National University of Singapore (NUS) discovered that the ESG quality of companies, especially in Indonesia, was classified as low with a score of 48.8 from a number of ESG indicators according to the Global Reporting Initiative (GRI) framework when compared to Singapore and Thailand (Suastha, 2016). The low quality of corporate ESG disclosures in Indonesia makes the responsibilities of audit committees questionable regarding monitoring ESG disclosure practices by management. The efficiency of the presence and role of an audit committee needs to be tested to ascertain how much the audit committee contributes to helping the board of commissioners supervise so that enterprise management in Indonesia is more transparent and objective in disclosing ESG so as to protect stakeholders from opportunistic behavior by company management.

There is a limited amount of research on the connection between audit committee attributes and the quality of ESG disclosur (Aprianti et al., 2021; Jousa & Septiani, 2020; Setiawan & Ridaryanto, 2022) and show inconsistent results. For example, on the audit committee size attribute, Buallay & Al-Ajmi (2018) reported that the scale of the audit committee can improve the level of ESG disclosures because a larger audit committee size increases the likelihood that its recommendations will be heard. In contrast, Adegboye et al. (2020) actually found that the bigger the number of audit committee members, the more difficult the process of communicating and making decisions on ESG report disclosures. Inconsistent research results were also found in other characteristics of audit committees, including financial expertise, independence, and frequency of meetings. So, it is important to do research again to strengthen the previous literature.

The research examines how four specific attributes of audit committee, including financial expertise, independence, meeting frequency, and size influence the quality of ESG disclosures. This research uses data from public corporations in Indonesia whose ESG disclosure scores were assessed by Bloomberg in the 2017-2021 period (5 years).

The study has several contributions are to deliver a concise summary of the functionality of the existence of an audit committee in supervising the quality of environmental, social and corporate governance disclosures in Indonesia. This study also provides reference answers related to inconsistencies in the outcomes of prior studies and to complement the results of studies from companies in various industries other than the financial industry. In addition, conducting a sensitivity test in this study provides fresh perspective on the function of the audit committee on the quality of disclosure of ESG components specifically. This research is segmented into several parts: 1) introduction section, 2) literature analysis and development of hypotheses section, 3) research methods section, 4) results and discussion section, and 5) conclusion, implications, and limitations sections.

HYPOTHESIS DEVELOPMENT

Audit Committee Financial Expertise and ESG Disclosure

Agency theory suggests that the audit committee's expertise in finance can enhance the effectiveness of audit supervision, both for financial and non-financial reports as well as company internal controls (Sultana, 2015). Previous research has shown that financial mastery in audit committees is able to increase ESG disclosure, such as studies conducted by Al-Shaer and Zaman (2018); Aprianti et al. (2021); and Mohammadi et al. (2021). In line with this study, a rise in the count of audit committee financial expertise is directly proportional to an increase in the transparency of company disclosures. It is believed that the financial competence among audit committee members will be able to help ask difficult questions to management regarding corporate disclosures (Josua & Septiana, 2020).

Nonetheless, Appuhami and Tashakor (2017); Bicer and Feneir (2019); Madi et al. (2014); and Setiawan and Ridaryanto (2022) fail to know How financial expertise in audit committees influences sustainability disclosure. Meanwhile Buallay and Al-Ajmi (2018) who used the GCC Stock banking industry sample (Saudi, Bahrain, Kuwait, UAE, Qatar, and Oman) a notable negative correlation between the financial competence of audit committee personnel and the ESG disclosures quality. This may be resulting from a preference for prioritizing financial reporting over ESG issues by those with financial expertise (Appuhami & Tashakor, 2017) and the need for diversity such as business and management and environmental expertise in audit committees (Setiawan & Ridaryanto, 2022). According to findings from earlier studies and agency theory, the first hypothesis developed is as follows:

H_1 : Financial expertise in the audit committee has a positive influence on ESG disclosure.

Audit Committee Size and ESG Disclosure

The association between ESG disclosure quality and audit committee size has been studied to yield inconsistent results. For example, as stated by Buallay and Al-Ajmi (2018), who observed banking companies in Saudi Arabia, Bahrain, Kuwait, UAE, Qatar, and Oman, identified a relationship linking audit committee and ESG disclosure quality with a favourable and noteworthy relationship. A larger audit committee would increase the acceptability of the board's recommendations regarding the amount of information that banks should disclose. These outcomes are align with the research results by Appuhami and Tashakor (2017) on Australian energy sector public companies, Agyei-Mensah and Kwame (2018) on public companies in Ghana, Musallam (2018) on Palestinian companies, Khoiriyah et al. (2022) on Indonesian manufacturing companies, and Mohammadi et al. (2020) on Iranian manufacturing companies.

According to Madi et al. (2014), audit committee size has a noteworthy positive impact on corporate voluntary disclosure in Malaysian companies. This is because audit committee size is essential in driving corporate disclosure, which helps reduce information asymmetry related to agency problems. On the other hand, Adegboye et al. (2020) found no comparable findings for Nigerian banking sector firms, which revealed a substantial inverse correlation between audit committee size and sustainability report disclosure. This relationship arises from the fact that larger audit committee sizes actually hinder decision making and complicate communication, resulting in less effective results than smaller audit committee sizes (Adegboye et al., 2020).

Some companies tend to form audit committees as a mere formality to comply with established regulations (Setiawan &; Ridaryanto, 2022). Karamanou and Vafeas (2005) Indicated that a larger audit committee size can cause inefficiencies in processes and distribute responsibilities too broadly, possibly leading to the presence of free riders. With a bigger committee, there may be reduced coherence among members and a greater challenge in achieving the committee's objectives (Adegboye et al., 2020). However, Bicer & Feneir (2019) link the perspective of legitimacy theory with the size of the audit committee, which states that a larger number of members will gain more legitimacy and authority because it brings a variety of skills, experience, and energy, thus increasing the likelihood of completing tasks and potential problems promply. According to the outcomes of prior research and legitimacy theory, hypothesis 2 is obtained:

H_2. Audit committee size has a positive influence on the quality of ESG disclosures.

Independence Audit Committee and ESG Disclosure

To ensure the quality of the company's report is impartial, the independent commissioner in the audit committee must work objectively. This is possible because independent commissioners can act freely and objectively due to no personal or professional ties with management (Musallam, 2018). Under agency theory, the expectation is that an independent commissioner on the audit committee will deliver necessary guidance on disclosure of ESG performance by company management so as to protect management's interests from management's opportunistic behavior. According to previous research, audit committee independence can contribute to better financial report quality, (McMullen & Raghunandan, 1996), voluntary disclosure (Mangena & Tauringana, 2007), and reduce earnings management (Kang et al., 2011).

Agency theory suggests that it is possible to lessen information asymmetry by having an independent audit committee (Pucheta-Martínez et al., 2021). Regarding research on the impact of audit committee independence on ESG disclosure, the outcomes show inconsistencies. Study performed by Madi et al. (2014); Appuhami and Tashakor (2017); Al-Shaer and the Age (2018); Buallay and Al-Ajmi (2018); Adegboye et al. (2020); Arif et al. (2020); Mohammadi et al. (2021); Uyar et al. (2022) found that the effectiveness of ESG disclosures is significantly enhanced by audit committee independence. This is because independent people who sit on Audit committees prioritize activities that contribute to long-term corporate value, promote transparency, and perceived corporate social impact (Jizi et al., 2014). The higher the scale of self-sufficiency of the audit committee commissioners, the greater the impact of the monitoring process carried out (Fama & Jensen, 1983). An independent commissioner on the audit committee serves to defend stakeholder interests (Fama & Jensen, 1983). One way to defend stakeholder interests is to ensure that disclosures made by management such as the ESG are carried out objectively.

Other research shows different results, namely research conducted by Josua and Septiani (2020) and Aprianti et al. (2021) reports that the results of audit committee independence have no significant effect. The reason is that independent commissioners may not carry out effective monitoring due to a lot of work, a scarcity of true independence, and insufficiency of knowledge of the company's industry (Azlan Annuar, 2012; Rahman & Ali, 2006). Ali et al. (2017) looking at from the viewed through the lens of agency theory, this situation is likely due to a shortage of knowledge regarding ESG or the absence of pressure from stakeholders that requires companies to seriously report ESG performance. On the basis of previous study and agency theory, the 3rd hypothesis that was developed is as follows:

H_3 : The number of independent commissioners on the audit committee has a positive influence on the quality of ESG disclosures.

Audit Committee Frequency Meeting and ESG Disclosure

The interrelation between the consistency of audit committee group discussion and the quality of ESG disclosures has been tested by several studies with inconsistent results. For example, Buallay and Al-Ajmi (2018) found that the frequency of sessions organized by the audit committee strongly influences the level of ESG disclosure in banks. This is because the increasing frequency of meetings can increase the awareness and experience of the audit committee, causing more incentives to disclose non-financial insights (Buallay & Al-Ajmi, 2018; Musallam, 2018). This is coherent with the results of Arif et al. (2020) which reveals that with an increasing frequency of meetings it will be able to increase compliance with the use of GRI standards in ESG disclosure and Raimo et al. (2020) improve the quality of interconnected reports that are of higher quality. According to Raghunandan and Rama (2007) intensive meetings make members more diligent, more informed and better prepared to deal with problems.

Differing from Madi et al. (2014) who reported that the number of audit committee group discussions does not have a notable impact on voluntary disclosure and does not support effective sustainability performance (Adegboye et al., 2020). Furthermore, the study by Dwekat et al. (2020) on non-financial companies in Europe and Khoiriyah et al. (2022) on public corporations active in the Indonesian manufacturing sector came to the same conclusion, namely that there is no notable correlation between the rate of audit committee meetings and ESG disclosures. The meeting did not encourage ESG transparency because the audit committee's role was limited to oversight, without direct involvement in ESG activities (Khoiriyah et al., 2022). The regularity of sessions does not directly correlate with the completion of tasks, as POJK Regulation No.55/POJK.04/2015 on the The establishment and standards for Audit Committee Work Execution mandates that audit committees meet a minimum of twice every three months or four times a year. (Khoiriyah et al., 2022).

Referring to agency theory, the more thorought the audit committee group discussion with the commisioners' board, the more likely it is to perform an assessment of the company's strategic plan which has implications for minimizing information asymmetry (Aprianti et al., 2021). It should be noted that large company size is one of the obstacles for the audit committee in detecting fraud due to time constraints (Appuhami & Tashakor, 2017), therefore it is essential for the audit committee to increase the frequency of meetings so that financial and non-financial disclosures can be maintained (Arif et al. 2020) According to previous study and agency theory, the 4th hypothesis developed is as follows:

H_4: The frequency of audit committee meetings has a positive effect on the quality of ESG disclosures.

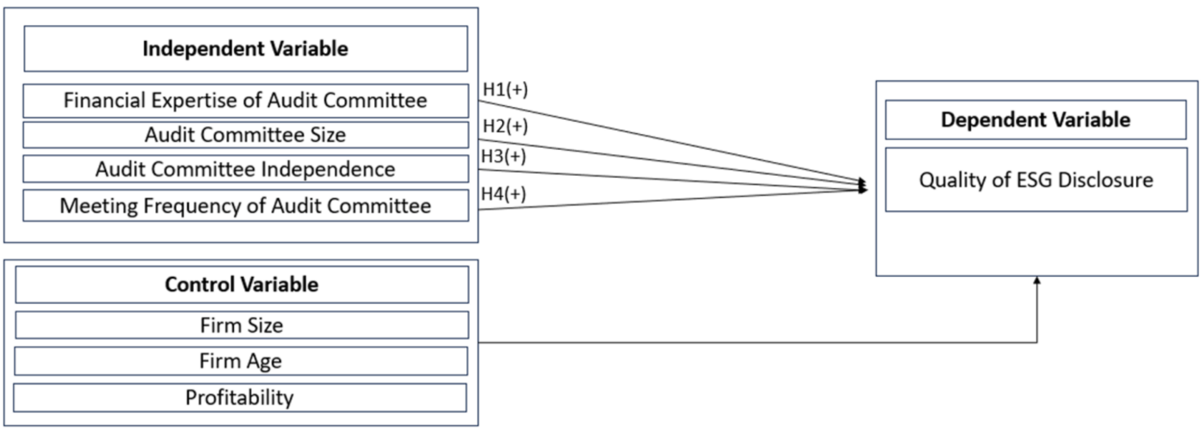

Figure 1.
Research Framework

METHOD

Population and Sample

The population used for this examination pertain to non-financial institutions recorded on the Indonesia Stock Exchange during the period from 2017 to 2021. This sample use a purposive sampling method, where data collection to become a sample was carried out deliberately to meet the specified criteria. used. The list of research sample acquisition can be explained in the following Table 1.

Table 1
Research Sample

Sample Selection Criteria	Number of Company
Corporations recorded on the Indonesia Stock Exchange for the 2017-2021 period or conducting an Initial Public Offering (IPO) until 2017	695
Less:	
• Companies that are not consistently assessed by Bloomberg regarding disclosure of ESG performance for the periode 2017-2021	(591)
• Financial industry	(31)
• Companies that do not provide data on the number of audit committee members, frequency of audit committee meetings, number of independent commissioners, and financial expertise in audit committees which can be obtained from annual reports or company websites.	(2)
• Samples containing outlier data	(4)
Final Sample	**67**

Data source processed, 2023

In this study there are 4 hypotheses that will be tested with the following research model.

$$ESGKOR_{it}=\alpha +\beta_1 ACFE_{it} + \beta_2 ACSZ_{it} + \beta_3 ACIND_{it} + \beta_4 ACFM_{it} + \beta_5 SIZE_{it} + \beta_6 ROA_{it} + \beta_7 AG_{it} + \varepsilon_{it} \text{.........(1)}$$

Notes:

ESG skorit	: ESG disclosure quality
α	: Constant
β1-7	: Independent and control variable coefficients
ACFEit	: Financial expertise in the audit committee
ACSZit	: Audit committee size
ACINDit	: Number of independent commissioners on the audit committee
ACMit	: Frequency of audit committee meetings
SZit	: Company size
Agit	: Company Age
ROAit	: Profitability

RESULT AND DISCUSSION

Descriptive Statistic

The following is a descriptive statistical table which provides an overview of the variables in this research which appears below.

Table 2.
Descriptive Statistics

Variabel	Mean	Standards deviation	Minimum	Maksimum	Skewness	Kurtosis
ESGSKOR	40,5456	11,4427	19,0000	73,8700	0,2538	2,2616
ACFE	1,6119	0,6601	1,0000	3,0000	0,6152	2,3484
ACSZ	3,1821	0,4442	3,0000	5,0000	2,4290	8,3192
ACIND	0,3591	0,1104	0,2000	0,6667	2,0176	6,2303

ACFM	8,7612	7,6469	4,0000	42,0000	2,2760	7,5585
SIZE	15,0342	3,9602	5,5027	19,7217	-1,2865	3,0439
ROA	0,0608	0,0594	-0,0370	0,2927	1,6181	6,6039
AG	43,0299	20,7227	5,0000	115,0000	1,2225	5,0888

Notes:
ESGSCOR: ESG disclosure quality score, ACFE: Financial Expertise in the audit committee, ACSZ: Size of the Audit Committee, ACIND: Independence of Audit Committee, ACFM: Frequency of Audit Committee Meetings, SZ: Company Size, AG: Company Age, ROA: Profitability.
Data source processed, 2023

The summary statistics indicate that the average ESG disclosure quality (ESG score) in 67 public companies in Indonesia from 2017 to 2021 was 40.54, which means that the average value of ESG disclosure is still below 50% or relatively low. On average one (1) person at each sample company has a degree in finance or accounting (ACFE). This shows that the sample company in the study has fulfilled the provisions of Article 7(e) POJK Number 55/POJK.04/2015 which declares that each company's audit committee is obligated to consist at the very least, one (1) participant with accounting and finance backgrounds. The audit committee (ACSZ) has a standard size of 3.1821 while the maximum and minimum numbers are three (3) and five (5) people, respectively. The self-sufficiency of the audit committee (ACIND) shows that the highest ratio is 67% derived from the whole number of audit committee members, while the smallest is as much as 20%. Then the average is 35% of the total audit committee.

The mean rate of audit committee sessions (ACFM) is eight (8) meetings, while the highest meeting frequency is forty-two (42) anually. While the occurrence of audit committee group discussions is no less than four (4) times. Furthermore, the average company in Indonesia has a company size at the level of 15.0342. The ROA of companies in Indonesia ranges from an average of 0.06 with a low value of -0.03 and a high of 0.29. While the average ROA is at a level of 6% or 0.06. The age of companies from all samples in this study has an average age of forty-three (43) years with the oldest company having one hundred and fifteen (115) years old in 2021 while the youngest company has a lifespan of 5 years.

Hypothesis Test

This study used ordinary least square in data panel with a fixed effect model. The findings from the hypothesis test are outlined below. This method has the benefit of being able to differentiate between individual effects and time effects, and it does not require the assumption that the error component is uncorrelated with the independent variables. The outcomes of the hypothesis test are illustrated in Table 3.

Table 3
Hypothesis Test Results

Variabel	Expected sign	Coefficient	P>|t|	Conclusion
ACFE	+	-0,5743	0,1895	Reject
ACSZ	+	1,0287	0,172	Reject
ACIND	+	12,8254	0,00***	Accepted
ACFM	+	-0,1335	0,06*	Reject
SIZE		-0,0005	0,382	
ROA		8,4239	0,1565	
AG		2,7956	0,00***	
_cons		-80,8758		

* : Significant at 10%

** : Significant at 5%
*** : Significant at 1%

Notes:

The data used is after going through the process of transforming data on the SIZE variable and proxy changes on the ACSZ variable. ESGSKOR: Quality score ESG disclosure, ACFE: Financial Expertise in audit committee, ACSZ: Audit Committee Size, ACIND: Audit Committee Independence, ACFM: Audit Committee Meeting Frequency, SZ : Company Size, AG: Company Age, ROA : Profitability.

P>|t| is a significance value that has been divided in two because the hypothesis used is one-way.

Data source processed, 2023

According to the outputs of the hypothesis test, aligned with the outputs of the regression analysis, one hypothesis has been accepted while three have been rejected. The first hypothesis (H1) posited that the financial acumen of the audit committee enhances the quality of ESG disclosure. Nevertheless, the hypothesis test findings indicate that the quality of ESG disclosure is unaffected by financial expertise, leading to the rejection of the first hypothesis (H1). Similarly, the second hypothesis (H2) suggested a direct correlation from the size of the audit committee and the quality of ESG disclosure. Yet, the analysis reveals that the dimension of the audit committee does not impact the effectiveness of ESG disclosure, resulting in the rejection of the second hypothesis (H2).

According to the third hypothesis (H3), increased autonomy of the audit committee augments the quality of ESG disclosure. The hypothesis test results confirm this, showing that the audit committee's autonomy significantly augments the quality of ESG disclosure at a 1% significance level, hence, the third hypothesis (H3) is accepted. Conversely, the fourth hypothesis (H4) suggested that increased audit committee meetings are linked to better quality ESG disclosures. Nevertheless, the hypothesis test outcomes indicate a considerable adverse impact, leading to the rejection of the fourth hypothesis (H4). Consequently, the third hypothesis (H3) is accepted, while the other hypotheses are rejected.

Discussions

Financial expertise in the audit committee has no influence on the quality of ESG disclosures. This study is in line with the results reported by Appuhami and Tashakor (2017); Josua and Septiani (2020); Setiawan and Ridaryanto (2022); and Quaderi et al (2020). These results confirm that a greater amount of financial expertise within the audit committee does not mean that it will increase the company's ESG disclosure (Buallay &; Al-Ajmi, 2018). This is likely because the audit committee that has expertise in finance focuses more on disclosing financial statements (Appuhami &; Tashakor, 2017).

In addition, the effectiveness of monitoring ESG disclosures by companies requires other expertise, such as within the fields of business, management, and the environment (Setiawan &; Ridaryanto, 2022). From the standpoint of agency theory, the presence of financial expertise in the audit committee has been unable to conduct effective monitoring to reduce asymmetric ESG disclosure information by management. However, this output is contradicting the outcomes of other prior studies that showed the financial proficiency of audit committee members has the impact of significantly improving the quality of ESG disclosure (Al-Shaer &; Zaman, 2018; Aprianti et al., 2021; Mohammadi et al., 2021).

The audit committee’s size has no relation with quality of ESG disclosures. These outcomes corroborate with study reported by Adegboye et al. (2020) and Setiawan and Ridaryanto (2022). There are several reasons that cause no association between the scale of the audit committee and the quality of ESG reports for instance, prolonged decision processes and complicating the communication process, so that a smaller number of members becomes more efficient (Adegboye et al., 2020). In addition, the formation of an audit committee is likely to be just a formality to follow the rules set by the regulator, when viewed from the perspective of legitimacy theory (Setiawan &; Ridaryanto, 2022). Therefore, having a large audit committee with many members does not necessarily result in better ESG reporting.

The independence of the audit committee has a significant positive influence on the quality of ESG disclosures. This is in line with the results of research revealed by Appuhami and Tashakor (2017); Al-Shaer and Zaman (2018); Buallay and Al-Ajmi (2018); Adegboye et al. (2020); Arif et al. (2020); Mohammadi et al. (2021); and Uyar et al. (2022). This confirms that independent commissioners on audit committees pay higher attention to activities that can increase long-term corporate value, transparency, and corporate social impact (Jizi et al., 2014). However, this study is not in line with the results reported by Josua and Septiani (2020) and Aprianti et al. (2021) which found that the independence of the audit committee has no relationship with the quality of ESG disclosures.

The frequency of audit committee meetings has a negative and significant effect on the quality of ESG disclosures. This finding is in line with research reported by Khoiriyah et al. (2022). The frequency of audit committee meetings that have a significant negative influence confirms that the number of meetings held does not reflect the completion of work (Khoiriyah et al., 2022). In addition, it does not increase the supervisory role of the audit committee on corporate disclosure practices (Adegboye et al., 2020; Madi et al., 2014). The meeting may be just a formality to comply with applicable regulations such as audit committee meetings have been regulated in POJK regulation Number 55 / POJK.04 / 2015 which requires audit committee meetings to be held at least 2 times in 3 months or 4 times a year. However, this finding contradicts other studies that the number of audit committee meetings significantly increases the drive to disclose ESG information (Buallay & Al-Ajmi, 2018) and increases compliance with GRI criteria (Arif et al., 2020).

Sensitivity Analysis

Table 4 presents the sensitivity analysis results.

Table 4.
Sensitivity Analysis

Variabel	ESG SKOR		ESKOR		SSKOR		GSKOR	
	Coefficient	P>|t|	Coefficient	P>|t|	Coefficient	P>|t|	Coefficient	P>|t|
ACFE	-0,5743	0,1895	0,6308	0,326	0,0557	0,4775	-1,9779	0,0175**
ACSZ	1,0287	0,172	-0,3190	0,4405	3,5279	0,0265**	-0,0303	0,4915
ACIND	12,8254	0,00***	16,9883	0,03**	17,5335	0,00***	4,0217	0,0625*
ACFM	-0,1335	0,06*	-0,3773	0,0375**	-0,1453	0,0565*	0,0974	0,1385
SIZE	-0,0005	0,382	0,0013	0,3545	0,0029	0,139	-0,0031	0,1155
ROA	8,4239	0,1565	-11,1680	0,1775	24,9124	0,041**	10,3160	0,159
AG	2,7956	0,00***	4,2634	0,00***	2,2529	0,00***	1,7824	0,00***
_cons	-80,8758		-168,3072		-89,5298		7,8175	

*: Significant at 10%
**: Significant at 5%
***: Significant at 1%
Notes:
The data used is after going through the process of transforming data on the SIZE variable and proxy changes on the ACSZ variable. ESGSKOR: Quality score ESG disclosure, ACFE: Financial Expertise in audit committee, ACSZ: Audit Committee Size, ACIND: Audit Committee Independence, ACFM: Audit Committee Meeting Frequency, SZ : Company Size, AG : Company Age, ROA: Profitability.
P>|t| is a significance value that has been divided in two because the hypothesis used is one-way
Data source processed, 2023

In the outcomes of the sensitivity test above, it is noticeable that the audit committee's level of independence (ACIND) considerably improves the quality of the three ESG components, namely environmental (ESKOR), social (SSKOR), and governance (GSKOR). Financial proficiency in the audit committee (ACFE) does not affect the quality of environmental disclosure (ESKOR) and the quality of social disclosure (SSKOR). However, ACFE leads to on the quality of corporate governance disclosure (GSKOR). The number of audit committee group discussions held (ACFM) has a significant negative influence on the quality of environmental and social (SSKOR) disclosures. However, there was no correlation exist between the occurrence rate of audit committee group discussions and the quality of governance disclosure (GSKOR). Finally, the audit committee size attribute (ACSZ) shows a markedly positive impact on the quality of social disclosure (SSKOR) but has no influence on the quality of environmental disclosure (ESKOR) and governance (GSKOR). Thus, the sensitivity test results support all hypothesis test results.

CONCLUSION

The objective of this research is to analyze the influence of audit committee attributes on the advancement of social, environmental, and governance (ESG) disclosure standards. The attributes analyzed include audit committee's scale, autonomy, financial proficiency, and the regularity of group discussions. This study findings reveal that the audit committee autonomy significantly enhances the quality of ESG disclosures. Meanwhile, the frequency of audit committee meetings leads to a significant unfavorable outcome on the quality of ESG disclosures. However, financial expertise and the size of the audit committee have no relation to the quality of ESG disclosures. The results of the sensitivity test are carried out by breaking down the dependent variable of ESG disclosure quality into the quality of disclosure of each ESG component, namely Environmental (E), Social (S), and Governance (G). The sensitivity test results support all hypothesis test results.

This research has implications for academic, managerial companies and regulations related to audit committees. In the academic field, this research enriches the previous literature related to the influence of audit committee attributes on the quality of ESG disclosure. As for the company's managerial, this research has consequences for the purpose of forming an audit committee, namely that companies in forming an audit committee should also be intended to supervise the integrity of ESG disclosures considering that the audit committee now only focuses on the quality of financial records.

Regulators need to pay attention that the establishment of an audit committee not only requires a minimum of audit committee personnel who possess education or competence in accountancy or finance but considers diversification of expertise such as expertise in business, management, and environment in the audit committee to improve the quality of ESG disclosure. Furthermore, the meeting conducted by the committee needs to increase the discussion of ESG topics considering that stakeholders pay high attention to ESG issues. Thus, more and more ESG topics discussed are expected to secure the concerns of stakeholders.

The study's constraints are found in the measurement of variables. The number of committee group discussion still ignores the topics discussed. Because most companies do not disclose the topic or agenda of audit committee group discussion. Thus, it cannot be ascertained whether the agenda of the meeting discusses ESG topics or other topics such as financial statements. In addition, in the financial expertise variable of the audit committee, some enterprises do not disclose in detail the education taken by audit committee personnel. For example, members of the audit committee who were disclosed completed their education at the faculty of economics but did not disclose the specifications of the majors they attended. Researchers could not confirm whether the audit committee members studied accounting and finance or not. So that researchers use the assumption that there is at least one (1) member of the audit committee who has a knowledge or competence in accounting and finance in accordance with the OJK regulation.

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