



AUDIT COMMITTEE SIZE, INDEPENDENCE, AND MEETING FREQUENCY: DO THEY AFFECT ESG PERFORMANCE?

Alfita Rakhmayani

Vocational School, Universitas Diponegoro, Indonesia
(alfitar@lecturer.undip.ac.id)

Rifki Adhi Prasetyo

Vocational School, Universitas Diponegoro, Indonesia

Maya Aresteria

Vocational School, Universitas Diponegoro, Indonesia

Dian Kusuma Wardani

Vocational School, Universitas Diponegoro, Indonesia

Muhammad Agung Syaputera

Vocational School, Universitas Diponegoro, Indonesia

ABSTRACT

Introduction/Main Objectives: The research explores the relationship between audit committee characteristics, specifically size, frequency of meetings, and independence with Environmental, Social, and Governance (ESG) disclosure scores among publicly listed companies in Indonesia.

Background Problems: Grounded in stakeholder theory, it posits that the increased size of audit committees, more frequent meetings, and fully autonomous memberships are likely to enhance ESG transparency.

Novelty: The study's distinctive contribution is demonstrating that active governance practices, like regular audit committee meetings, are more crucial than structural attributes for enhancing ESG reporting, particularly in an emerging market context such as Indonesia.

Research Methods: This research employs a quantitative approach with an explanatory design to test the relationship between audit committee characteristics and ESG disclosure. This study utilizes secondary data extracted from annual and sustainability reports published by publicly listed Indonesian companies from 2023. The population comprises all firms listed on the Indonesia Stock Exchange (IDX). A multiple linear regression analysis of Indonesian firms was performed.



All variables will be tested for normality, multicollinearity, and heteroscedasticity before regression analysis using STATA software.

Findings/Results: Meeting frequency of audit committees positively correlates with ESG disclosure, whereas size and independence do not appear to have significant impacts.

Conclusion: The study shows that when audit committees meet more often, it helps improve ESG (Environmental, Social, and Governance) scores for companies in Indonesia. However, the size and independence of the committee do not have much effect. This means that being active in governance is more important for better ESG performance than just having certain structures.

Implementation Potential: The study contributes to understanding how corporate governance mechanisms can support sustainability initiatives in emerging markets, offering valuable insights for companies, regulators, and investors focused on improving ESG disclosure and fostering responsible business practices.

Keywords: Environment; Social; Governance; Audit Committee; Disclosure

JEL Classification: (list the relevant JEL codes separated by commas, refer to <https://www.aeaweb.org/jel/guide/jel.php>)

1. INTRODUCTION

ESG is currently an inseparable part of the business world. ESG serves as a benchmark for a company's commitment to ethical and sustainable practices (Liu & Xie, 2024). ESG disclosure not only illustrates a company's dedication to sustainability but also acts as a factor influencing stakeholder decisions. Investors, regulators, and even the public demand that companies adopt sustainable practices and deliver transparent ESG performance reports (Yang et al., 2021). ESG is no longer an option but a strategic necessity that can shape a company's business success.

ESG becomes a new benchmark for corporate performance. Corporate governance through an effective audit committee is crucial for meeting stakeholder expectations regarding ESG (Maroun, 2022). As part of the board of commissioners, the audit committee plays a role in achieving company objectives, including reliable reporting and regulatory compliance (Karim et al., 2024). The number of members and the meetings of the audit committee are often indicators of an effective audit committee. An effective audit committee will help increase corporate transparency and accountability.

The relationship between the audit committee and ESG can be seen from the perspective of agency theory and stakeholder theory. From the agency theory viewpoint, effective governance enhances transparency and the quality of disclosure (Jensen & Meckling, 1976). This can decrease

information asymmetry. In stakeholder theory (Freeman, 1994), ESG reporting is vital to fulfill various stakeholder expectations. Within this framework, audit committees are seen as playing a crucial role in this process (Alodat & Hao, 2025). The existence and functioning of the audit committee will ensure that the company implements good governance and responsible business practices.

Prior study has explored how of audit committees relate to ESG disclosure. Bravo & Reguera-Alvarado (2019) identified that audit committee characteristics, namely gender and financial expertise, are positively correlated with the quality of sustainability reporting. Masmoudi (2021) found that meeting frequency significantly improves integrated reporting practices. In developing countries, Nandi et al. (2023) found that size and governance structure influence the level of corporate social responsibility disclosure in India. However, research specifically focusing on the combined effects of audit committee size, meeting frequency, and independence on ESG scores is still limited.

Based on the theory and limitations of previous research results, this study will explore how audit committee attributes will influence a company's ESG disclosure score. While previous studies have examined audit committees in relation to ESG or CSR practices (Appuhami & Tashakor, 2017; Arif et al., 2022; Desy Hapsari & Arieftiara, 2024; Fuadah et al., 2022; Nicolo' & Andrades-Peña, 2024), research specifically focusing on how these audit committee characteristics influence ESG transparency in developing countries is limited. Specifically, this study will examine the size, number of meetings, and independence of the audit committee as ESG quality indicators in Indonesia, where ESG regulations and reporting standards are still developing. Overall, this research aims to encourage responsible business practices through collaboration between company directors, regulators, and investors.

2. LITERATURE REVIEW

Freeman's (1994) stakeholder theory explains that a company's responsibility extends beyond shareholders to employees, customers, suppliers, the environment, and the wider community. In the context of ESG reporting, this theory is crucial because ESG disclosure serves as a communication tool to demonstrate a company's accountability and transparency to

stakeholders (Yan et al., 2024 ; Cui, 2024). By aligning business practices and transparent ESG reporting, companies can enhance trust, reputation, and competitive advantage (Gerber et al., 2024).

Audit committees play a role in overseeing financial reporting, internal controls, risk management, and regulatory compliance (Buallay & Al-Ajmi, 2019). As accountability demands increase, audit committee responsibilities also expand to include non-financial disclosures, including ESG (Bravo & Reguera-Alvarado, 2019). In Indonesia, this role is regulated by POJK No. 55/POJK.04/2015.

Audit committees play a crucial role in strengthening corporate governance and ensuring transparency in ESG disclosures. One characteristic that can influence the effectiveness of these committees is the number of members. Based on stakeholder theory, companies are expected to consider stakeholder interests by presenting relevant and reliable ESG information. Several studies have shown that increasing the number of audit committee members has a positive impact on ESG transparency. Pucheta-Martínez et al. (2021) found that companies with larger audit committees tend to produce more extensive CSR disclosures. Arif et al. (2021) also confirmed that a more diverse audit committee composition allows for more in-depth oversight of ESG disclosures. Based on this description, this study proposes the following hypothesis.

H1: The size of the audit committee has a positive effect on the company's ESG disclosure score.

The stakeholder theory framework emphasizes that companies need to respond to increasing demands for transparency from various stakeholders. An audit committee that actively works through more frequent meetings can provide oversight and encourage more detailed sustainability reporting. This contributes to improved ESG performance and the quality of disclosures. Several empirical studies highlight the influence of audit committee meeting frequency on the quality of corporate disclosures. For example, Arif et al. (2021) found that companies with more regular audit committee meetings tend to provide more robust and transparent ESG information. Another study by Itan et al. (2025) also showed that regular committee meetings provide more opportunities to ensure that ESG disclosures align with stakeholder expectations and regulatory developments. Based on this foundation, this study formulates the following hypotheses.

H2: The frequency of audit committee meetings has a positive effect on the company's ESG disclosure score.

Audit committee independence plays a crucial role in improving the quality of corporate oversight. Audit committees comprised of independent members generally operate more objectively due to reduced bias and conflicts of interest. This enables the audit committee to exercise stricter oversight of sustainability practices and ESG disclosures. From the perspective of stakeholder theory (Freeman, 1984), transparent ESG reporting is one way for companies to fulfill their responsibilities to regulators, customers, employees, and the wider community. Al-Shaer & Zaman (2018) argue that independence in governance structures positively impacts reporting on a company's environmental and social performance. Similarly, Khatri & Kjærland (2023) emphasize that independent supervisors tend to have a more comprehensive view of accountability, including ensuring the relevance and accuracy of sustainability reports. Based on this theory and previous research findings, this study proposes the following hypothesis:

H3: The independence of the audit committee has a positive influence on the company's ESG disclosure score.

3. METHOD

This research employs a quantitative approach with an explanatory design to test the relationship between audit committee characteristics and ESG disclosure. This study utilizes secondary data extracted from annual and sustainability reports published by publicly listed Indonesian companies from 2023. The population comprises all firms listed on the Indonesia Stock Exchange (IDX). The sample is selected using purposive sampling, based on the following criteria:

- a. Companies that consistently publish annual and sustainability reports;
- b. Availability of audit committee data (size, meeting frequency and independency);
- c. Availability of ESG disclosure scores from Bloomberg ESG.

Descriptive statistics and multiple linear regression analysis are employed to test the hypotheses. The regression model used is:

$$ESGi = \beta_0 + \beta_1 ACSZi + \beta_2 ACMTi + \beta_3 ACINDi + \beta_4 LNNTAi + \beta_5 ROAi + \epsilon$$

Where:

ESGi = ESG disclosure score

ACSZi = Audit Committee Size

ACMTi = Audit Committee Meeting Frequency

ACINDi = Audit Committee Independency (0 = not independent, 1 = independent)

LNTAi = Firm size (log of total assets)

ROAi = Return on Assets

ϵ = Error term

All variables will be tested for normality, multicollinearity, and heteroscedasticity before regression analysis using STATA software.

4. RESULTS AND DISCUSSION

Descriptive statistics show that the average ESG score for companies in Indonesia is 45.44. This indicates that the ESG performance of companies in Indonesia is still suboptimal. Companies have implemented ESG efforts, but they still need improvement and enhancement. The average number of company meetings per year is 9, indicating a more intensive meeting activity than the minimum standard. The average number of audit committee members in the sample companies is 3, which is in line with the minimum requirement. A total of 68% of companies have audit committee members who are entirely independent.

Table 1. Descriptive Result

| Variabel | Mean | Min | Max | Std Dev |
|-----------------|-------------|------------|------------|----------------|
| ESG | 45,44 | 15,38 | 76,32 | 11,42 |
| ACMT | 9,38 | 2,00 | 55,00 | 8,31 |
| ACSZ | 3,13 | 1,00 | 7,00 | 0,59 |
| ACIND | 0,68 | 0,00 | 1,00 | 0,47 |

Multiple linear regression testing yielded results showing that the model accounts for approximately 14.57% of the variance in ESG disclosure scores. The model demonstrates statistical significance, indicating that the combination of independent variables effectively predicts ESG disclosure outcomes. The frequency of audit committee meetings (ACMT) shows a

positive and statistically significant relationship with ESG disclosure scores, with a beta coefficient of 0.327 and a p-value of 0.008. This indicates that companies whose audit committees meet more frequently tend to disclose more detailed ESG information. This suggests that an active audit committee engaged in overseeing sustainability initiatives leads to more comprehensive ESG reporting that is aligned with stakeholders.

Table 2. Regression Results

| Variable | Coef | t | p |
|---------------|------------|-------|--------|
| Cons | -20,61791 | 2,68 | 0,008 |
| ACMT | 0,326614 | -1,17 | 0,245 |
| ACSZ | -1,963793 | -0,01 | 0,990 |
| ACIND | -0,0231534 | 0,85 | 0,399 |
| ROA | 6,732301 | 3,90 | 0,000 |
| LNTA | 2,231247 | -1,18 | 0,238 |
| F Score | | | 6,25 |
| Adj R-squared | | | 0.1457 |

The test results show that the size of the audit committee (ACSZ) is negatively related but not significant to ESG disclosure, with a p-value of 0.245. This implies that merely increasing the size of the audit committee does not significantly improve ESG performance. A larger number of audit committee members may face coordination or accountability challenges that could potentially reduce effectiveness. The independence of the audit committee (ACIND) yielded statistical test results with a beta coefficient value of -0.023 and a p-value of 0.990. This indicates that having fully independent audit committee members does not inherently enhance ESG reporting. There is a possibility of limited expertise in sustainability issues or insufficient authority in decision-making, especially in developing countries.

The positive influence of the frequency of audit committee meetings on ESG scores is in line with several previous studies. Sihombing (2025) found that regular meetings increase committee members' awareness of environmental and social risks, which directly improves reporting accuracy. Similarly, Tumwebaze et al. (2022) argue that the effectiveness of audit committees in promoting sustainability is more influenced by the level of engagement than by structural characteristics such as size or independence. An engaged audit committee serves as a

liaison between the organization and its stakeholders, fostering increased transparency, particularly in non-financial areas such as ESG. Through active participation, the audit committee can balance various stakeholder interests so that the company's performance and accountability will be more holistic.

An insignificant relationship with ESG is indicated by the size and independence of the audit committee. This finding corroborates previous research by Alsultan & Hussainey (2025), which stated that larger audit committees may face coordination difficulties and may not necessarily demonstrate greater effectiveness in improving disclosure practices. Furthermore, while independence is generally perceived as enhancing objectivity, its impact may be limited if independent members lack the expertise or influence necessary to advocate for comprehensive ESG reporting (Arif et al., 2021). This shows that the number and formal independence are not enough to help ESG performance.

5. CONCLUSION

Through a series of tests and analyses in this study, it can be concluded that the atmosphere when the audit committee frequently holds meetings will help improve ESG scores in companies in Indonesia. However, the size and independence of the committee do not have much effect. This means that being active in governance is more important for better ESG performance than just having certain structures. The study contributes to understanding how corporate governance mechanisms can support sustainability initiatives in emerging markets, offering valuable insights for companies, regulators, and investors focused on improving ESG disclosure and fostering responsible business practices. Companies should ensure that meetings are held regularly and substantively. Furthermore, regulators may need to emphasize disclosure of audit committee meeting activities and discussions.

6. IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH

The research findings indicate that tangible oversight activities through audit committee meetings are more important than the formal audit committee structure. More frequent meetings allow for ongoing discussion and monitoring of ESG practices. Companies should not only



establish audit committees with regulatory structures but also ensure that meetings are held regularly and substantively. Existing research only includes ESG disclosure data for a single time period. Meeting frequency in this study is expressed quantitatively without detailed information on the relationship between meeting discussions and ESG. This study also does not include other characteristics that could be further explored, such as audit committee behavior. Future research could extend the observation period to reveal the longitudinal impact of audit committee characteristics. Further research could also examine the impact of intensive audit committee meetings on company performance or value in the ESG context.

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