Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, Vol 15 (No.2) 2025, 216-227

https://jurnal.unimus.ac.id/index.php/MAX

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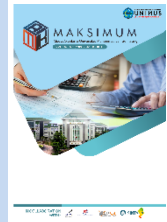

# The Influence of the Audit Committee Characteristics and Institutional Ownership on Sustainability Report Disclosure

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**Info Article**

*History Article:*
Submitted: February 25, 2025
Revised: April 16, 2025
Accepted: June 20, 2025

*Keywords:*
Audit Committee, Institutional Ownership, Sustainability Report, Banking

**Abstract**

This study aims to examine the direct effect of audit committee independence empirically, audit committee financial expertise, audit committee size, audit committee meetings frequency, and institutional ownership on sustainability report disclosure in the Indonesian Banking sector. This research used a quantitative method. The sample consists of 26 companies selected using purposive sampling. This research employed panel data regression analysis utilizing Eviews 12 as the analytical instrument. The results showed that audit committee independence, audit committee financial expertise, and institutional ownership positively affected sustainability report disclosure. In contrast, audit committee size and frequency of audit committee meetings do not influence sustainability report disclosure. This study implies that strengthening the quality of audit committees and leveraging the active involvement of institutional investors may support better sustainability practices.

JEL Classification: M14, G34, M41

How to Cite: Chulim, F. R., Nurullah, A., & Patmawati, P. (2025). The Influence of the Audit Committee Characteristics and Institutional Ownership on Sustainability Report Disclosure. Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang, 15(2), *216-227.*

DOI: 10.26714/MKI.15.2.2025. 216-227

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## Introduction

In the current era of intense global competition, corporate management is consistently challenged to allocate scarce resources effectively in pursuit of sustainable long-term success (Mannelli, 2020). A key factor supporting this success is the implementation of effective corporate governance (Khatib et al., 2022). Poor corporate governance has often been associated with financial crises, highlighting the need for stricter regulations and enhanced transparency in both financial and non-financial reporting. Recent data reveal a concerning trend in corporate bankruptcies. According to Bankruptcy Data, there were 24 major corporate bankruptcies (involving companies with reported assets exceeding USD 1 billion) over the past 12 months. Although this figure represents a slight decrease from 28 bankruptcies recorded between the second half of 2022 and the first half of 2023, it still exceeds the annual average of 23 companies. In the first half of 2024, a total of 16 major bankruptcies were recorded, matching the figure from the first half of 2023. This represents the highest number of large-scale bankruptcies within six months since the start of the COVID-19 pandemic in 2020 (Cornerstone Research, 2024). These statistics underscore the crucial role of effective corporate governance and financial management in preventing business failures and mitigating audit risks.

One significant aspect of corporate transparency is sustainability reporting (Higgins et al., 2020). In contrast to traditional financial reporting that concentrates exclusively on financial outcomes, sustainability reporting offers information on a company's economic, social, and environmental impacts, thereby providing stakeholders with a more holistic perspective on corporate accountability (De Villiers & Sharma, 2020). Sustainability reporting not only enhances a company's public image but also motivates employees, strengthens competitive advantage, and supports the achievement of Sustainable Development Goals (SDGs) (A. Buallay & Al-Ajmi, 2020).

This study offers a novel contribution by examining the influence of audit committee characteristics and institutional ownership on sustainability report disclosure within Indonesia's banking sector, a highly regulated industry with strategic ESG relevance. The uniqueness of this research lies in its sectoral focus and its integration of corporate governance mechanisms into sustainability disclosure analysis—something that remains limited in existing studies, especially within emerging markets.

In Indonesia, the growing emphasis on sustainability reporting and corporate governance reforms has heightened the relevance of ESG considerations in corporate audits. The Financial Services Authority (OJK) has promoted ESG integration through Regulation No. 51/POJK.03/2017, which mandates financial institutions to disclose sustainability initiatives (OJK, 2017). This is supported by Regulation No. 15/POJK.03/2017, which obliges public companies to report non-financial information (OJK, 2017). By 2022, 80% of public companies in Indonesia had adopted the Global Reporting Initiative (GRI) standards (Andy, 2023). This shows an increased commitment to sustainable practices, making it timely to explore how governance structures can support these disclosures. The banking sector, in particular, is essential due to its role in financial intermediation and economic development (Nizam et al., 2019). Therefore, this study provides timely empirical evidence that supports ESG transparency, regulatory compliance, and governance effectiveness in the Indonesian banking industry.

Considering the growing significance of sustainability reporting, this study seeks to investigate the impact of audit committee characteristics—including independence, financial expertise, size, and meeting frequency—as well as institutional ownership on the disclosure of sustainability reports within the banking sector listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. This research builds on previous studies by Aprianti et al. (2022), incorporating institutional ownership as an independent variable and using the GRI G4 Guidelines' 91 indicators to measure sustainability report disclosure (Qasem et al., 2022). Focusing on the banking sector, this study aims to contribute to playing a strategic role in promoting responsible investment and corporate transparency. Practically, the findings offer guidance for companies and stakeholders on enhancing internal governance mechanisms, particularly by strengthening audit committees and

encouraging the active role of institutional investors to support higher-quality sustainability reporting and reduce potential agency conflicts.

## Literature Review

### Agency theory

Agency theory explores the relationship between principals and agents, highlighting the conflicts of interest that occur when agents, such as managers, fail to act in the best interests of principals, like shareholders. (Jensen & Meckling, 1976). A central concern is information asymmetry, where managers possess more insight into the company's condition than shareholders (Ali, 2020). Sustainability disclosure is essential in mitigating agency problems by enhancing transparency and alleviating information asymmetry. Managers may be inclined to withhold or manipulate non-financial information, including environmental, social, and governance (ESG) performance, in order to protect their interests. However, transparent sustainability reporting offers stakeholders valuable insights into a company's long-term strategies and social responsibilities, thereby aligning managerial actions with shareholder interests (A. Buallay & Al-Ajmi, 2020).

To mitigate agency problems, principals establish boards of directors responsible for overseeing management's actions. The audit committee, as an internal monitoring mechanism, strives to improve reporting practices, including sustainability reporting, by overseeing management's activities. This, in turn, enhances accountability over resources entrusted to management (A. Buallay & Al-Ajmi, 2020). Effective audit committees ensure transparency and curb opportunistic behavior by management. Previous research has indicated that the independence and financial expertise of the audit committee have a positive impact on sustainability reporting (Zaman et al., 2021).

Institutional ownership, defined as shares held by financial institutions or large investors, plays a vital role in mitigating information asymmetry (Chang et al., 2020). Institutional shareholders, often with better access to internal company information and a focus on long-term investments, have a greater incentive to ensure good corporate governance practices, including transparent sustainability reporting. This aligns with agency theory by asserting that stricter oversight by institutional investors can limit managerial self-interest and encourage greater transparency in non-financial reporting, such as environmental, social, and governance (ESG) disclosures (Arslan et al., 2021; Qasem et al., 2022).

### Audit Committee Independence

An independent audit committee functions as an essential tool to mitigate managerial incentive problems (Arif et al., 2020). In the context of agency theory, the independence of the audit committee is critical in reducing conflicts of interest between management (agents) and stakeholders (principals). Information asymmetry, where management has more access to company information than owners, can drive opportunistic behavior detrimental to owners' interests. Independent audit committee members improve the trustworthiness and clarity of financial and non-financial reporting (Zaman et al., 2021). Furthermore, an independent audit committee can exert greater scrutiny over sustainability disclosures, ensuring that management does not withhold crucial ESG-related information. The presence of independent members encourages fair reporting practices and fosters stakeholder trust, which ultimately improves a company's reputation and investor confidence. Studies found a positive relationship between independent audit committees and sustainability report disclosure (A. Buallay & Al-Ajmi, 2020; Meutia et al., 2023). Drawing from the prior explanation, the following hypothesis is suggested:
**H1:** *Audit Committee Independence has a positive effect on Sustainability Report Disclosure*

### Audit Committee Financial Expertise

The accounting or financial expertise background of the audit committee is measured by the proportion of audit committee members who have experience as accountants, auditors, financial directors, chief financial officers, or heads of accounting or chief accounting officers (Hasibi & Fitriyanto, 2021). According to agency

theory, audit committee members with financial expertise can better evaluate auditor decisions and strengthen internal control systems and risk management frameworks (A. Buallay & Al-Ajmi, 2020). Financially skilled audit committee members are also more adept at questioning financial reports (Meutia et al., 2023). Their expertise strengthens the audit committee's monitoring and oversight functions, leading to improved quality and transparency in both financial and non-financial disclosures (Raimo et al., 2021). With a firm grasp of financial complexities, these members can identify inconsistencies or gaps in sustainability disclosures, ensuring the company presents an accurate picture of its ESG practices. Several studies confirmed a positive relationship between audit committee financial expertise and sustainability report disclosure (Aprianti et al., 2022; Lendengtariang & Bimo, 2022). In line with the above explanation, the following hypothesis is formulated:

**H2:** *Audit Committee Financial Expertise has a positive effect on Sustainability Report Disclosure*

### Audit Committee Size

A larger audit committee contributes to reducing information asymmetry by providing diverse perspectives, experiences, and expertise, thus supporting effective oversight and auditing processes (Zaman et al., 2021). Increased committee size offers more resources and viewpoints to identify and resolve reporting issues. Agency theory suggests that larger audit committees enhance transparency and sustainability reporting by strengthening internal controls (A. Buallay & Al-Ajmi, 2020). The variety of skills and knowledge within a larger committee can lead to more comprehensive evaluations of ESG initiatives and their representation in sustainability reports. Additionally, larger committees are more likely to allocate sufficient time and effort to scrutinize sustainability-related matters, ensuring accurate and reliable disclosures. Prior research has demonstrated a positive association between the presence of independent audit committees and the extent of sustainability report disclosure (Aprianti et al., 2022; A. M. Buallay & AlDhaen, 2018). Arising from the theoretical foundation outlined above, the following hypothesis is proposed:

**H3:** *Audit Committee Size has a positive effect on Sustainability Report Disclosure*

### Audit Committee Meeting Frequency

The audit committee's diligence and effectiveness in performing its oversight role are reflected in the frequency of its meetings (A. Buallay & Al-Ajmi, 2020). Frequent meetings allow audit committees to strengthen management control and ensure reporting quality (Aprianti et al., 2022). Consistent with agency theory, more frequent meetings enhance the audit committee's ability to oversee management activities, fostering accountability and transparency in sustainability reporting (Zaman et al., 2021). Regular meetings provide continuous opportunities to review ESG-related disclosures, address discrepancies, and demand corrective actions if necessary. This proactive strategy reduces the likelihood of greenwashing and strengthens investor trust in the company's sustainability initiatives. The positive effect of audit committee meeting frequency on sustainability report disclosure has been supported by previous studies (Arif et al., 2020; Said et al., 2020). Drawing from the conceptual framework outlined above, the following hypothesis is suggested:

**H4:** *Audit Committee Meeting Frequency has a positive effect on Sustainability Report Disclosure*

### Institutional Ownership

Institutional investors have a significant influence on the capital markets and play a key role in promoting ESG disclosure (Qasem et al., 2022; Rhou & Singal, 2020). The oversight provided by institutions can substitute for other agency mechanisms, thereby reducing agency costs and contributing to higher firm value (Zainal Abidin Putera, 2021). Agency theory posits that institutional shareholders, acting as principals, push for voluntary ESG disclosures to minimize information asymmetry and make objective investment assessments (Zhou, 2019). Institutional owners often have greater bargaining power and access to internal corporate information, allowing them to demand transparent reporting on sustainability matters. Their long-term investment strategies motivate them to prioritize companies with solid ESG performance, creating external pressure for management to produce high-quality sustainability reports. Empirical evidence has shown a positive relationship between institutional ownership and sustainability report disclosure (Arslan et

al., 2021; Chang et al., 2020). Based on the conceptual framework outlined above, the following hypothesis is presented:

**H5:** *Institutional Ownership has a positive effect on Sustainability Report Disclosure*

Drawing from these concepts, a research model was constructed and illustrated in Figure 1:

**Figure 1 Conceptual Framework**

# Method

**Sample Selection**

The population of this study comprised all listed banking firms on the Indonesia Stock Exchange (IDX). A purposive sampling method was employed to select the sample for the years 2021–2023. The number of banking firms listed on the Indonesia Stock Exchange from 2021 to 2023 is 47 firms. Table 1 shows the data collection criteria. This study utilizes secondary data sourced from financial and annual reports available on the IDX or company websites. The analysis was conducted using Eviews 12 software.

**Table 1. Sampling Criteria**

| No | Criteria | Total |
|---|---|---|
| **1.** | Banking firms listed on the IDX from 2021 to 2023 | 47 |
| **2.** | Firms that do not disclose sustainability report based on GRI standards | (18) |
| **3.** | Firms that do not disclose audit committee characteristic | (3) |
| | Number of Samples | 26 |
| | Number of Observations (3 years) | 78 |

The initial step in data analysis involves conducting the Chow test to select the appropriate regression model. According to Basuki (2021), the Chow test is performed under the following conditions: if the probability (prob) value is greater than 0.05, the Common Effect Model (CEM) is applied; if the prob value is less than 0.05, the Fixed Effect Model (FEM) is used. Subsequently, the Hausman test is conducted. If the prob value exceeds 0.05, the Random Effect Model (REM) is selected, whereas if the prob value is below 0.05, the Fixed

Effect Model (FEM) is employed. Based on the research conducted, the following regression model was derived.

$$SRD = \alpha + \beta 1\ ACI + \beta 2\ ACFE + \beta 3\ UKA + \beta 4\ ACMF + \beta 5\ IO + \ ei,t$$

Where SRD is sustainability report disclosure, α is constant, ACI is audit committee independence, ACFE is audit committee financial expertise, ACS is audit committee size, ACMF is audit committee meetings frequency, and IO is institutional ownership. ei,t represents the error term for firm I in year t, where I denote the cross-sectional unit (individual firm), and t denotes the period (year).

**Operational Definition Variable**

| Variable | Label | Measurement | Formula |
|---|---|---|---|
| Sustainability Report Disclosure | SRD | Each disclosed indicator in the sustainability report (SR) is assigned a score of 1, and a score of 0 if not disclosed. The total score is divided by the total GRI-G4 indicators, which is 91 (Setiawan et al., 2022). | (Number of Disclosed Indicators in SR) / (91 Indicators) |
| Audit Committee Independence | ACI | Number of independent audit committee members divided by the total number of audit committee members (Meutia et al., 2023). | (Number of Independent AC Members) / (Total AC Members) |
| Audit Committee Financial Expertise | ACFE | Number of audit committee members with accounting or auditing expertise, either through education or work experience, divided by the total number of audit committee members (Aprianti et al., 2022). | (Number of Financial Expertise AC Members) / (Total AC Members) |
| Audit Committee Size | ACS | Total number of audit committee members (Aprianti et al., 2022). | Total number of audit committee members |
| Audit Committee Meetings Frequency | ACMF | Total number of audit committee meetings held in one year (Aprianti et al., 2022). | Total number of audit committee meetings per year |
| Institutional Ownership | IO | Number of shares held by institutional investors at year-end divided by the total number of outstanding shares (Qasem et al., 2022). | (Number of Shares Held by Institutional Investors) / (Total Outstanding Shares) |

## Result and Discussion

Table 2 presents the descriptive statistical results of the variables studied. The results show that sustainability report disclosure has a minimum value of 0.099 and a maximum value of 0.835, with an average value of 0.364. Audit committee independence ranges from a minimum value of 0.25 to a maximum value of 0.857, with an average of 0.536. Audit committee financial expertise has a minimum value of 0.25 and a maximum value of 1, with an average value of 0.477. The audit committee size shows a minimum of 3 and a maximum of 10, with an average size of 4.333. The frequency of audit committee meetings varies from a minimum of 5 to a maximum of 41 meetings, with an average of 14.885. Lastly, institutional ownership ranges from 0.014 to 0.99, with an average value of 0.565. The data exhibits moderate variation, as reflected by the standard deviations, which are relatively close to the mean for each variable.

**Table 2. Descriptive Statistics**

| Variable | Observations | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| Sustainability Report Disclosure | 78 | 0.099 | 0.835 | 0.364 | 0.184 |
| Audit Committe Independence | 78 | 0.25 | 0.857 | 0.536 | 0.152 |
| Audit Committee Financial Expertise | 78 | 0.25 | 1 | 0.477 | 0.164 |
| Audit Committee Size | 78 | 3 | 10 | 4.333 | 1.625 |
| Audit Committee Meetings Frequency | 78 | 5 | 41 | 14.885 | 9.04 |
| Institutional Ownership | 78 | 0.014 | 0.99 | 0.565 | 0.317 |

The summary of the classical assumption tests is presented in Table 3:

**Table 3. Classical Assumption Test Results**

| No | Test Type | Test Results |
|---|---|---|
| 1 | Multicollinearity Test | All correlation values < 0.85 |
| 2 | Heteroskedasticity Test | Prob. > 0.05 (after log transformation) |

Multicollinearity test using the Pairwise Correlation method shows no independent variable correlates > 0.85, indicating no multicollinearity. The heteroskedasticity test using the Glejser method indicates that, after applying a natural logarithm transformation, all variables have probability values above 0.05, suggesting the absence of heteroskedasticity.

The data in this study were analyzed using Eviews software. The data analysis process began by testing the best estimation model. The initial step was to perform the Chow test to evaluate the Common Effect Model against the Fixed Effect Model+. If the prob value is less than 0.05, the Fixed Effect Model (FEM) is selected, leading to the next test — the Hausman test. According to the Chow test results shown in Table 3, the prob value is 0.000, indicating that the appropriate estimation model is the Fixed Effect Model (FEM(Arif et al., 2020). Following the Chow test, the Hausman test was conducted to confirm the suitability of the model. The Hausman test results show a prob value > Chi2 of 0.003, which, being less than 0.05, further supports the selection of the Fixed Effect Model (FEM) as the most appropriate estimation model.

**Table 4. Descriptive Statistics**

| Variable | Observations | Coeff | Std. Error | t | P>\|t\| |
|---|---|---|---|---|---|
| Audit Committe Independence | 78 | 0.523 | 0.168 | 0.010 | 0.003 |
| Audit Committee Financial Expertise | 78 | 0.303 | 0.126 | 0.0101 | 0.018 |
| Audit Committee Size | 78 | 0.005 | 0.429 | 0.0101 | 0.899 |
| Audit Committee Meetings Frequency | 78 | 0.008 | 0.006 | 0.0101 | 0.207 |
| Institutional Ownership | 78 | 0.978 | 0.246 | 0.0101 | 0.012 |
| Constant | 78 | 0.854 | 0.325 | 2.632 | 0.010 |
| R-Square | | 0.812 | | | |
| Prob > F | | 0.000 | | | |
| Prob > Chi2 | | 0.012 | | | |

Based on Table 3, the audit committee independence variable has a P>|t| value of 0.003, indicating that H1 is accepted as the significance value is below 0.05. The coefficient value of 0.523 shows that audit committee independence has a positive effect on sustainability report disclosure, meaning that greater independence within the audit committee contributes to increased disclosure (Arif et al., 2020; A. Buallay & Al-Ajmi, 2020;

Said et al., 2020). The audit committee financial expertise variable also has a P>|t| value of 0.018, which is below 0.05, supporting H2. With a coefficient value of 0.303, this indicates that financial expertise within the audit committee positively influences sustainability report disclosure, as members with financial knowledge are more likely to encourage comprehensive reporting.

Meanwhile, the audit committee size has a P>|t| value of 0.899, which exceeds 0.05, suggesting that H3 is refused. The coefficient value of 0.005 implies that audit committee size has an insignificant effect on sustainability report disclosure. The audit committee meeting frequency variable has a P>|t| value of 0.207, above the 0.05 threshold, leading to the rejection of H4. The coefficient value of 0.008 suggests that meeting frequency does not significantly influence sustainability report disclosure. Institutional ownership shows a P>|t| value of 0.012, which is below 0.05, meaning H5 is accepted. The coefficient value of 0.978 suggests a strong positive relationship between institutional ownership and sustainability report disclosure, implying that higher institutional ownership encourages more transparent reporting practices. The R-squared value of 0.812 indicates that the independent variables in the model can explain 81.2% of the fluctuation in sustainability report disclosure. Furthermore, the Prob > F value of 0.000 confirms the overall significance of the model, while the Prob > Chi2 value of 0.012 further validates the model's adequacy.

## Discussion

### Audit Committee Independence to Sustainability Report Disclosure

Based on the findings presented above, audit committee independence demonstrates a significant positive impact on the disclosure of sustainability reports. The inclusion of independent members on the audit committee strengthens transparency and accountability in sustainability reporting, ensuring that the information disclosed accurately reflects the company's economic, environmental, and social impacts (Khan et al., 2021). Independent members of the audit committee are better positioned to objectively monitor the reporting process without being influenced by management. Independent audit committees play a crucial role in promoting better disclosure practices by minimizing information asymmetry between management and stakeholders (A. Buallay & Al-Ajmi, 2020). This aligns with agency theory, which suggests that managers may withhold negative information or overemphasize positive aspects due to conflicting interests with shareholders. An independent audit committee serves as a control mechanism to minimize such behavior, ensuring fair and accurate sustainability reporting (Arif et al., 2020). Their presence also supports external auditors and reflects a more substantial commitment to ethical disclosure (Said et al., 2020).

### Audit Committee Financial Expertise to Sustainability Report Disclosure

Based on the data above, audit committee financial expertise has a significant positive influence on sustainability report disclosure. The presence of audit committee members with financial and accounting backgrounds plays a crucial role in ensuring that sustainability reports are prepared accurately and transparently, reflecting the company's steadfast commitment to sustainability (A. Buallay & Al-Ajmi, 2020). These financial experts help strengthen oversight by reducing information asymmetry between management and shareholders, reinforcing stakeholder trust in the company's sustainability disclosures. Financial expertise within the audit committee significantly impacts corporate decision-making, particularly regarding sustainability disclosures (Aprianti et al., 2022; Lendengtariang & Bimo, 2022). According to agency theory, audit committee members with financial knowledge are better equipped to monitor and challenge management decisions, reducing agency conflicts and promoting transparent reporting (Velte, 2021).

### Audit Committee Size to Sustainability Report Disclosure

Drawing from the findings presented, audit committee size does not significantly influence sustainability report disclosure, which aligns with prior findings showing no correlation between audit committee size and CSR disclosure (Fahad & Rahman, 2020; Said et al., 2020). Larger audit committees often face communication and coordination challenges, hindering collective decision-making processes Zaman et al. (2021), while a

broader range of perspectives and interests can complicate consensus-building (Al-Shaer & Zaman, 2018). From the perspective of agency theory, this finding is supported by the idea that individuals tend to act in their self-interest. In larger committees, the diffusion of responsibility increases the risk of opportunistic behavior and the presence of passive members or free riders who benefit without contributing meaningfully (Karamanou & Vafeas, 2005). This undermines the committee's ability to monitor and ensure high-quality sustainability reporting. Regulatory factors further explain this insignificant relationship, especially in the banking sector, as Indonesia's Financial Services Authority Regulation No. 55/POJK.04/2015 mandates a minimum of three audit committee members to ensure oversight for transparency and accountability. However, this regulation may standardize committee sizes across companies, limiting variability. Despite meeting size requirements, audit committee effectiveness relies more on member competence, independence, and meeting frequency than on numbers, emphasizing that quality outweighs quantity in enhancing sustainability report disclosure.

**Audit Committee Meetings Frequency to Sustainability Report Disclosure**

Based on the data above, audit committee meeting frequency does not have a significant influence on sustainability report disclosure. This finding aligns with previous research that found no significant relationship between audit committee meeting frequency and sustainability report disclosure (Lendengtariang & Bimo, 2022). The quality and substance of discussions during meetings are more impactful than the sheer number of meetings held (Pasko et al., 2024). Furthermore, the number of meetings reflects the intensity of audit committee activities but does not ensure practical discussions or decisions (Lendengtariang & Bimo, 2022). From the agency theory perspective, this result reflects the idea that increasing the frequency of meetings may not necessarily mitigate agency problems if the meetings lack depth, independence, or actionable outcomes. Although audit committees are intended to serve as monitoring mechanisms to reduce information asymmetry between management (agents) and stakeholders (principals), the mere formality of frequent meetings without substantive deliberation weakens their effectiveness. Moreover, since the ultimate authority for disclosure lies with the Board of Directors Giannarakis et al. (2020), audit committees may have limited power to influence sustainability reporting, especially if their role is passive or advisory rather than strategic.

**Institutional Ownership to Sustainability Report Disclosure**

Institutional ownership exerts a significant positive influence on the extent of sustainability report disclosure. Institutional investors, focused on long-term value and good corporate governance, encourage companies to disclose sustainability performance more comprehensively (Chang et al., 2020). Multiple studies have indicated that firms with substantial institutional ownership tend to demonstrate a higher likelihood of engaging in sustainability reporting (Arslan et al., 2021; Qasem et al., 2022). also shows that companies with dominant institutional ownership are more likely to engage in sustainability reporting. Institutional investors help mitigate agency problems by monitoring corporate management and pushing for greater transparency, including in sustainability disclosures (Arslan et al., 2021). Their influence drives companies to adopt stronger CSR practices and produce clearer sustainability reports (Chang et al., 2020). Consequently, institutional ownership plays a crucial role in aligning managerial actions with shareholder interests by promoting accountability in both financial and non-financial reporting (Eisenhardt, 1989).

## Conclusions and Recommendations

Based on the research results, audit committee independence positively affects sustainability report disclosure by improving transparency and reducing information asymmetry. Audit committee financial expertise also shows a positive impact, as members with financial backgrounds strengthen oversight quality. In contrast, audit committee size does not significantly influence disclosure, indicating that the quality of members matters more than their number. Similarly, audit committee meeting frequency has no significant effect, as frequent meetings do not necessarily lead to more effective disclosures. Meanwhile, institutional

ownership positively influences sustainability reporting, with institutional investors encouraging greater transparency and accountability.

Theoretically, the findings reinforce agency theory, which posits that governance mechanisms such as independent and competent audit committees help reduce conflicts of interest between management (agents) and shareholders (principals). The positive effects of audit committee independence and financial expertise emphasize the importance of member quality in minimizing information asymmetry and ensuring reliable sustainability disclosures. Conversely, the insignificant roles of committee size and meeting frequency support the notion that formal structures or routines alone are insufficient without substantive oversight capacity.

In terms of policy contributions, this study provides empirical support for regulators and standard-setters to go beyond minimum structural requirements (e.g., number of meetings or members) and instead promote criteria focused on the composition and expertise of audit committee members. Policymakers such as the Financial Services Authority (OJK) could consider revising or supplementing existing guidelines by emphasizing the competency, independence, and financial literacy of audit committee members to strengthen sustainability governance. Additionally, the positive role of institutional ownership suggests that regulatory frameworks could encourage greater shareholder engagement, especially from institutional investors, to improve corporate transparency and accountability in sustainability reporting.

This study's focus on a single industry constitutes a limitation that may restrict the generalizability of its findings to other sectors. Future research should align sustainability reporting standards with industry characteristics, such as using OJK standards for the financial sector. Broadening the scope of research across multiple industries and lengthening the observation period could offer more comprehensive insights into how audit committees and ownership structures impact sustainability disclosure practices.

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