DIPONEGORO JOURNAL OF ACCOUNTING ***Volume 15, Nomor 3, Tahun 2026, Halaman 1-14***
http://ejournal-s1.undip.ac.id/index.php/accounting ***ISSN (Online): 2337-3806***

THE EFFECT OF ESG DISCLOSURE ON FIRM PERFORMANCE WITH AUDIT COMMITTEE SIZE AS MODERATING VARIABLE

(Insights from Indonesian High Profile Companies Listed in 2020-2023)

Evelya Ramadhani Mutia Azmi, Dwi Ratmono [1]

Departemen Akuntansi Fakultas Ekonomika dan Bisnis Universitas Diponegoro
Jl.Prof. Soedharto SH Tembalang, Semarang 50239, Phone: +6282135240978

ABSTRACT

This research aims to examine the effect of ESG disclosure on firm performance and to examine the role of audit committee size in moderating the relationship between ESG disclosure and firm performance. The variables used in this research are ESG disclosure as the independent variable, firm performance as the dependent variable, and audit committee size as the moderating variable. Leverage, Return on Assets (ROA), and Return on Equity (ROE) are included as control variables.

Secondary data are used in this research, obtained from annual reports and sustainability reports of high-profile companies listed on the Indonesia Stock Exchange during 2020–2023. The sample was selected using purposive sampling, resulting in 223 firm-year observations. ESG disclosure is measured using the Sustainability Report Disclosure Index (SRDI), while firm performance is measured using net income and audit committee size is measured based on the number of audit committee members. Panel data regression and Moderated Regression Analysis (MRA) are employed to examine the proposed hypotheses. This research differs from previous studies by focusing on high-profile companies listed on the Indonesia Stock Exchange during the 2020–2023 period and by examining audit committee size as a moderating variable in the relationship between ESG disclosure and firm performance.

The results show that ESG disclosure has a positive and significant effect on firm performance. Furthermore, audit committee size significantly strengthens the positive relationship between ESG disclosure and firm performance. These findings indicate that greater ESG disclosure is associated with higher firm performance and that audit committee size can strengthen the effectiveness of ESG disclosure in relation to firm performance.

Keywords: ESG Disclosure, Firm Performance, Audit Committee Size, Sustainability Reporting

INTRODUCTION

The increasing emphasis on environmental sustainability, social responsibility, and corporate governance has strengthened the importance of Environmental, Social, and Governance (ESG) disclosure in corporate reporting. ESG encompasses environmental, social, and governance aspects that reflect a company's commitment to sustainable business practices and accountability to stakeholders (Jain & Tripathi, 2023). ESG disclosure provides information regarding corporate sustainability activities and impacts, thereby supporting transparency and reducing information asymmetry between companies and stakeholders. In addition, ESG disclosure can serve various corporate purposes, including fulfilling legal and stakeholder requirements, attracting investment capital, maintaining corporate legitimacy, and responding to public interests and expectations (Deegan, 2002). From the perspective of legitimacy theory, sustainability disclosure can therefore function as a mechanism through which companies demonstrate that their activities are consistent with societal expectations.

ESG disclosure is also increasingly associated with firm performance because sustainability practices may influence stakeholder perceptions, corporate reputation, risk management, and access to resources. Companies that integrate ESG considerations into their business activities may be better positioned to identify and manage environmental, social, and governance risks that could affect their

[1] *Corresponding author*

operations and financial outcomes. Previous studies, however, have reported different findings regarding the relationship between ESG disclosure and firm performance. Alareeni and Hamdan (2020) found a positive relationship between the scope of ESG disclosure and company performance, while Khanchel et al. (2023) reported that social and governance disclosure contributes positively to corporate financial performance. Similarly, Chung et al. (2024) found that companies with higher levels of ESG disclosure experience improvements in financial performance. These findings suggest that ESG disclosure may provide economic benefits by strengthening stakeholder relationships and enhancing corporate transparency.

The relevance of ESG disclosure is particularly important in Indonesia, where sustainability reporting has been incorporated into the regulatory framework. Financial Services Authority Regulation (POJK) No. 51/POJK.03/2017 provides a framework for sustainable finance and sustainability reporting for financial institutions, issuers, and public companies. Companies may present sustainability information as part of their annual reports or through separate sustainability reports. In addition, the Global Reporting Initiative (GRI) Standards provide internationally recognized reporting guidelines that support companies in communicating their economic, environmental, and social impacts in a more systematic and consistent manner. The use of standardized sustainability reporting frameworks can improve the comparability and quality of ESG-related information disclosed to stakeholders. Consequently, ESG disclosure has become increasingly relevant for companies seeking to demonstrate accountability, transparency, and commitment to sustainable business practices.

Nevertheless, the relationship between ESG disclosure and firm performance remains inconclusive. Buallay (2022)) found that ESG disclosure did not significantly influence operational, financial, or market performance, while Wasiuzzaman et al. (2023) reported that ESG disclosure significantly reduced profitability among energy companies. In contrast, Maji and Lohia (2023) found that overall ESG performance and its individual components positively influenced firm performance, while Pulino et al. (2022) reported that firms with higher ESG disclosure generally achieved better performance, particularly when performance was measured using earnings before interest and taxes (EBIT). These inconsistent findings indicate that the effect of ESG disclosure on firm performance may depend on the characteristics of the companies and the institutional context examined. Furthermore, previous research has paid relatively limited attention to the relationship between ESG disclosure and firm performance among Indonesian high-profile companies.

High-profile companies are particularly relevant to the examination of ESG disclosure because their operations are more closely associated with environmental and social impacts and are therefore subject to greater public and stakeholder scrutiny. Milne & Hackston (1996) describe high-profile companies as those whose activities are more sensitive to environmental and social issues. Patten (1991) further argues that firms operating in environmentally sensitive industries face greater political and social pressures and consequently have stronger incentives to disclose environmental and social information. Similarly Gray et al. (1995) suggest that companies with greater public exposure tend to provide more extensive sustainability disclosures to demonstrate accountability and maintain legitimacy. In the Indonesian context, high-profile industries include agricultural production, mining, basic and chemical industries, miscellaneous industries, and consumer goods industries. The characteristics of these industries make high-profile companies an appropriate setting for examining whether ESG disclosure is associated with firm performance, particularly because these companies face substantial stakeholder expectations concerning their environmental and social impacts (Harymawan et al., 2020).

High-profile companies are particularly relevant to the examination of ESG disclosure because their operations are more closely associated with environmental and social impacts and are therefore subject to greater public and stakeholder scrutiny. Milne and Hackston (1996) describe high-profile companies as those whose activities are more sensitive to environmental and social issues. Patten (1991) further argues that firms operating in environmentally sensitive industries face greater political and social pressures and consequently have stronger incentives to disclose environmental and social information. Similarly, Gray et al. (1995) suggest that companies with greater public exposure tend to provide more extensive sustainability disclosures to demonstrate accountability and maintain legitimacy. In the Indonesian context, high-profile industries include agricultural production, mining, basic and chemical industries, miscellaneous industries, and

consumer goods industries. The characteristics of these industries make high-profile companies an appropriate setting for examining whether ESG disclosure is associated with firm performance, particularly because these companies face substantial stakeholder expectations concerning their environmental and social impacts (Harymawan et al., 2020)

In addition to the direct relationship between ESG disclosure and firm performance, corporate governance mechanisms may influence the effectiveness of ESG disclosure. The audit committee plays an important role in overseeing corporate reporting and monitoring the reliability of disclosed information. A larger audit committee may have greater monitoring capacity and provide more diverse expertise when reviewing and evaluating ESG-related information. Husna et al. (2023) found that companies with larger audit committees tend to demonstrate greater ESG disclosure. From a legitimacy theory perspective, stronger oversight may improve the credibility and comprehensiveness of ESG disclosure, enabling companies to better respond to stakeholder expectations and maintain organizational legitimacy. However, limited research has examined audit committee size as a moderating variable in the relationship between ESG disclosure and firm performance, particularly among Indonesian high-profile companies. Therefore, this study examines the effect of ESG disclosure on firm performance and investigates whether audit committee size moderates this relationship among high-profile companies listed on the Indonesia Stock Exchange. This study contributes to the literature by focusing on Indonesian high-profile companies and by measuring firm performance using net income while incorporating audit committee size as a moderating corporate governance mechanism.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This section explains the theory used in this study, the conceptual framework describing the relationships between research variables, and the development of research hypotheses.

Legitimacy Theory

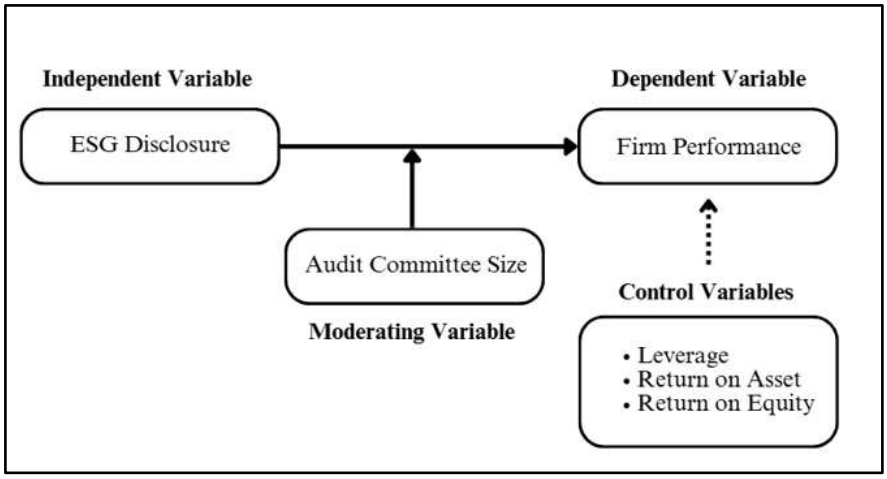
Legitimacy theory explains the relationship between an organization and the society in which it operates. Legitimacy refers to the collective perception that an entity's actions are appropriate and consistent with the socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). Organizations therefore seek to maintain legitimacy by aligning their activities with societal expectations. In accounting research, legitimacy theory is widely used to explain corporate social and environmental disclosure because such disclosure can serve as a mechanism through which companies communicate their accountability and responsiveness to society (Deegan, 2002).

ESG disclosure can function as an instrument for maintaining organizational legitimacy by communicating a company's environmental, social, and governance responsibilities to stakeholders. Through transparent disclosure, companies can demonstrate their commitment to addressing social and environmental expectations while strengthening credibility and stakeholder trust (Deegan, 2002) This perspective is particularly relevant to high-profile companies because firms operating in environmentally and socially sensitive industries are subject to greater public and stakeholder scrutiny and may therefore have stronger incentives to provide sustainability-related information (Patten, 2020; Prashar, 2023). Accordingly, legitimacy theory provides the theoretical foundation for examining whether ESG disclosure is associated with firm performance and whether audit committee size strengthens this relationship.

Theoretical Framework

The conceptual framework illustrates the relationships between research variables in the form of a diagram. This study employs dependent, independent, and control variables.

Figure 1
Theoretical Framework



Hypothesis Development

ESG Disclosure and Firm Performance

ESG disclosure provides stakeholders with information regarding a company's environmental, social, and governance practices beyond conventional financial reporting. ESG encompasses environmental issues such as energy use, waste, pollution, and natural resources; social issues involving employees, customers, suppliers, and communities; and governance issues related to transparency, accountability, internal controls, auditing, and shareholder rights. The increasing attention to these dimensions has encouraged firms to integrate ESG considerations into their business strategies and long-term objectives (Baier et al., 2020; D'Angelo et al., 2023)

From the perspective of legitimacy theory, ESG disclosure enables firms to communicate their responses to societal expectations and demonstrate responsible business practices. Greater transparency regarding ESG activities may strengthen stakeholder confidence and corporate reputation, which can contribute to improved business outcomes. Previous studies provide empirical support for this relationship. Alareeni and Hamdan (2020) found that ESG performance is significantly associated with accounting-based financial performance, while Pulino et al. (2022) reported that ESG disclosure is positively associated with firm performance when EBIT is used as the performance measure. Similarly, Carvajal and Nadeem (2023) and Treepongkaruna and Suttipun (2024) provide evidence of a positive relationship between sustainability-related disclosure and firm performance. Based on these arguments, the first hypothesis is formulated as follows:

H1: ESG disclosure positively influences firm performance.

Audit Committee Size as a Moderating Variable

Corporate governance mechanisms play an important role in monitoring corporate reporting and ensuring accountability and transparency. Among these mechanisms, the audit committee is responsible for supporting the monitoring function of the board of commissioners, including oversight of financial and nonfinancial reporting. Under SEOJK No. 32/SEOJK.04/2015, an audit committee consists of at least three members and is expected to support effective supervision and the reliability of corporate reporting.

Audit committee size can reflect the committee's monitoring capacity and the diversity of knowledge available to oversee corporate activities. A larger audit committee may provide broader expertise and greater capacity to review internal controls, reporting practices, risk management, and compliance. Erin et al. (2022) found that governance and audit committee characteristics are associated with sustainability reporting quality, while Umar et al. (2023) reported a significant relationship between audit committee size and ESG disclosure. In addition, Fuadah et al. (2022) found that the audit committee strengthens the relationship between ESG disclosure and firm performance, suggesting that effective monitoring can improve the credibility of sustainability information and enhance its contribution to corporate value.

Consistent with legitimacy theory, a larger audit committee may strengthen the credibility and accountability of ESG disclosure by providing more effective oversight of the information communicated to stakeholders. When ESG information is subject to stronger monitoring, its credibility may increase, allowing ESG disclosure to more effectively support stakeholder confidence and corporate legitimacy. Therefore, audit committee size is expected to strengthen the positive relationship between ESG disclosure and firm performance. Accordingly, the second hypothesis is formulated as follows:

H2: Audit committee size strengthens the positive influence of ESG disclosure on firm performance.

RESEARCH METHOD

This section describes the research population and sample, the variables used, the measurement, and the research model.

Population and Sample

The population of this study consists of high-profile companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2023 period. High-profile companies are selected because they generally receive greater attention from the public, institutional investors, media, and regulators, which may encourage more extensive ESG disclosure (Roberts, 1992). The study applies purposive sampling to select companies that meet predetermined criteria. The criteria include:

1. Companies categorized as high-profile companies and listed on the IDX during 2020–2023
2. Companies that published complete annual reports and sustainability reports in accordance with GRI Standards during the observation period
3. Companies with complete data required for the analysis.

Based on these criteria, 139 high-profile companies were initially identified. A total of 76 companies were excluded because they did not publish the required annual and sustainability reports according to the specified criteria, resulting in 63 companies included in the initial sample. With four years of observation, the study obtained 252 firm-year observations. After excluding 29 observations identified as outliers, the final sample consisted of 223 firm-year observations.

Variable and Variable Measurement

This study employs ESG disclosure as the independent variable and firm performance as the dependent variable, with audit committee size serving as the moderating variable. Three control variables are included, such as leverage, return on assets (ROA), and return on equity (ROE). The variables used in this study and their respective measurements are as follows:

Table 1
Variable & Variable Measurement

Variable	Symbol	Measurement
Independent Variable		
ESG Disclosure	ESG	Sustainability Report Disclosure Index (SRDI), calculated as the number of ESG disclosure items disclosed by the company divided by the total number of applicable disclosure items
Dependent Variable		
Firm Performance	FP	Natural logarithm of the company's net income
Moderating Variable		
Audit Committee Size	ACSIZE	Total number of members of the company's audit committee
Control Variables		
Leverage	LEV	Total equity divided by total assets
Return on Assets	ROA	Net income divided by total assets
Return on Equity	ROE	Net income divided by shareholders' equity

Research Model

This study uses panel data regression and Moderated Regression Analysis (MRA) to examine the effect of ESG disclosure on firm performance and the moderating role of audit committee size. The data are processed and analyzed using EViews. The appropriate panel data model is determined through the Chow, Hausman, and Lagrange Multiplier (LM) tests to select among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Based on the model selection results, the Random Effect Model (REM) is employed in the regression analysis. Leverage, ROA, and ROE are included as control variables.

The interaction term between ESG disclosure and audit committee size is included to examine the moderating effect. The significance and direction of the interaction coefficient are used to determine whether audit committee size strengthens the relationship between ESG disclosure and firm performance.

RESULTS AND DISCUSSIONS

Research Object Description

This study utilizes secondary data sources. The population consists of high-profile companies listed on the Indonesia Stock Exchange during the 2020-2023 period. Purposive sampling was employed to select the sample. The sample selection steps undertaken in this study are as follows:

Table 2
Sample Selection Method

No	Sample Criteria	Total
1	Total high profile firms that are publicly listed on Indonesia Stock Exchange during 2020-2023 timeframe	139
2	Companies not publishing annual report and sustainability report according to GRI Standards in 2020-2023 period	(76)
3	Total high profile companies surveyed in the 2020-2023 period	63
4	Total high profile companies in the research sample (63 companies x 4 years)	252
5	Data outlier	(29)
6	Total research samples in 2020-2023 period	**223**

Descriptive Statistics Analysis

Table 2 presents the descriptive statistics for 223 firm-year observations. The ESG disclosure variable has a minimum value of 0.367, recorded by PT Mitrabahtera Segara Sejati, and a maximum value of 0.970, recorded by PT Indo Tambangraya Megah. The mean of 0.695 and median of 0.698 indicate a moderate-to-high level of ESG disclosure among the sampled companies, while the standard deviation of 0.140 indicates moderate variation in disclosure levels.

Firm performance, measured by net income, has a minimum value associated with PT Bumi Resources in 2020, which recorded a net loss of IDR 4.93 trillion, while the maximum value is associated with PT Telkom Indonesia, which recorded net income of IDR 24.76 trillion. The variable has a mean of 11.956 and a standard deviation of 0.569.

The audit committee size ranges from three members to seven members, with the minimum observed across companies meeting the required minimum, while the maximum of seven members is recorded by PT Telkom Indonesia. The mean of 3.318 and standard deviation of 0.717 indicate that most companies have approximately three to four audit committee members.

For the control variables, leverage has a minimum value of 0.000 and a maximum of 12.338, with the maximum recorded by PT Bumi Resources in 2020. Its mean is 0.820 with a standard deviation of 1.269, indicating considerable variation across companies. ROA ranges from -0.147, recorded by PT Bintraco Dharma, to 0.557, recorded by PT Indo Tambangraya Megah, with a mean

of 0.077 and a standard deviation of 0.080. ROE has a minimum of -2.543, recorded by PT Bumi Resources, and a maximum of 0.866, recorded by PT Multi Bintang Indonesia. The mean ROE is 0.133 with a standard deviation of 0.255, indicating substantial variation in shareholders' returns across the sampled companies.

Table 3
Descriptive Statistics

	FP	ESG	ACSIZE	Leverage	ROA	ROE
Mean	11.95638	0.695972	3.318386	0.820259	0.076986	0.133101
Median	11.97035	0.698529	3.000000	0.425500	0.059000	0.118000
Maxi-mum	13.39375	0.970000	7.000000	12.33830	0.557300	0.865600
Mini-mum	10.19170	0.367647	3.000000	0.000000	-0.147400	-2.543400
Std. Dev	0.569423	0.140062	0.717838	1.269459	0.080805	0.255383
Skew ness	-0.082857	-0.004943	2.520832	4.525283	1.669279	-5.400961
Kurtosis	3.244939	2.192704	9.306008	34.82443	9.087474	58.33419
Jarque-Bera	0.812613	6.056540	605.6690	10171.66	447.8890	29534.07
Prob.	0.666106	0.048399	0.000000	0.000000	0.000000	0.000000
Sum	2666.273	155.2018	740.0000	182.9178	17.16780	29.68150
Sum Sq. Dev.	71.98177	4.355055	114.3946	357.7589	1.449530	14.47899
Obser-vations	223	223	223	223	223	223

Source: Secondary Data Processed using Eviews

Model Selection

Panel data model selection was conducted to determine the most appropriate estimation model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The selection was based on the Chow, Hausman, and Lagrange Multiplier (LM) tests. The results of the model selection tests are presented in Table 4.

The Chow test produces a probability value of 0.0000, indicating that the Fixed Effect Model is preferred to the Common Effect Model. The Hausman test yields a probability value of 0.5471, which exceeds the 0.05 significance level, indicating that the Random Effect Model is preferred to the Fixed Effect Model. The Lagrange Multiplier test also produces a probability value of 0.0000, supporting the use of the Random Effect Model over the Common Effect Model. Therefore, the Random Effect Model (REM) is selected as the estimation model for subsequent analysis.

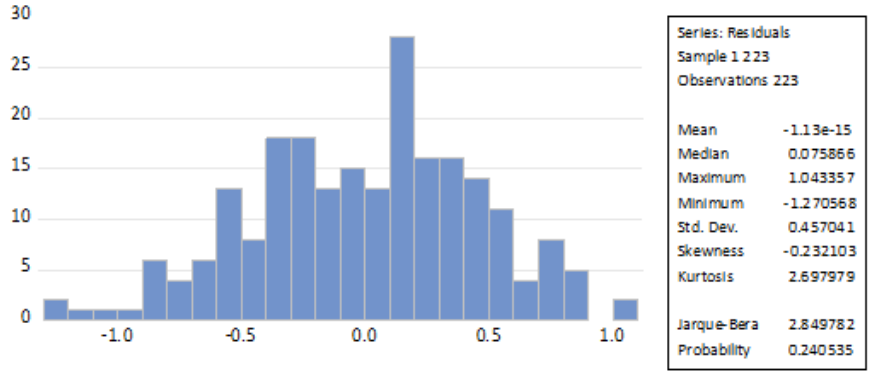
Table 4
Model Selection

Test	Probability	Selected Model
Chow Test	0.0000	FEM
Hausman Test	0.5471	REM
Lagrange-Multiplier Test	0.0000	REM

Normality Test

The Kolmogorov–Smirnov test is used to examine the normality of the regression residuals. As presented in Figure 2, the test produces a probability value of 0.240, which exceeds the 0.05 significance level. Therefore, the residuals are considered normally distributed, indicating that the normality assumption is satisfied.

Figure 2
Kolmogorov-Smirnov Test



Multicollinearity Test

The multicollinearity test is conducted using the Variance Inflation Factor (VIF) to assess correlations among the explanatory variables. As shown in Table 5, all centered VIF values are below 10, with the highest value of 2.153 for ROE. Therefore, the regression model does not indicate a multicollinearity problem, allowing the coefficients to be interpreted reliably.

Table 5
Variance Inflation Factor (VIF)

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.045167	47.13312	N/A
ESG	0.050214	26.40417	1.023320
ACSIZE	0.001888	22.70358	1.010571
LEV	0.000875	2.078728	1.464523
ROA	0.256599	3.327512	1.740517
ROE	0.031776	2.740404	2.152962

Autocorrelation Test

The autocorrelation test is conducted using the Durbin–Watson (DW) statistic to assess whether correlation exists among the regression residuals. As described in Table 6, the DW statistic is 1.915, indicating no autocorrelation problem in the regression model. Thus, the model satisfies the autocorrelation assumption and is suitable for further analysis.

Table 6
Durbin-Watson Test

R-squared	0.706249
Adjusted R-squared	0.026676
S.E. of Regression	0.450904
Sum Squared Residuals	13.62206
Log Likelihood	-4.727175
F-statistic	1.039255
Prob (F-Statistic)	0.437258
Mean Dependent Variable	-1.13E-15
Standard Deviation Variable	0.457041

Akaike Info Criterion	1.441499
Schwarz Criterion	3.824992
Hannan-Quinn Criterion	2.403699
Durbin-Watson Statistic	1.915253

Heteroscedasticity Test

The heteroscedasticity test is conducted to determine whether the variance of the regression residuals is constant across observations. From the result in Table 7, the probability value is 0.409, which exceeds the 0.05 significance level. Therefore, the null hypothesis is not rejected, indicating that the model does not exhibit a heteroscedasticity problem.

Table 7
Heteroscedasticity Test

F-statistic	1.015405
Obs*R-squared	5.098124
Scaled Explained Sum of Squares	4.098478
Prob. F(5,217)	0.4094
Prob. Chi-Square(5)	0.4040
Prob. Chi-Square(5)	0.5353

Panel Data Regression Model

The panel data regression results are presented in Table 8. The estimated regression equation is:

Net Income = 10.255 + 0.856 ESG + 0.250 ACSIZE + 0.091 LEV + 2.476 ROA + 0.038 ROE

The results show that ESG disclosure has a positive and significant effect on firm performance, with a coefficient of 0.856 and a probability value of 0.0000. Audit committee size also has a positive and significant effect, with a coefficient of 0.251 and a probability value of 0.0000. Leverage and ROA similarly show positive and significant coefficients of 0.091 and 2.476, respectively. In contrast, ROE has a positive but statistically insignificant coefficient of 0.038 ($p = 0.2455$). Overall, the results indicate that ESG disclosure, audit committee size, leverage, and ROA are positively associated with firm performance, while ROE does not show a significant association.

Table 8
Panel Data Regression Model

Variable	Coefficient	Standard Error	t-Statistic	Probability
C	10.25512	0.040901	250.7316	0.0000
ESG	0.856130	0.039472	21.68958	0.0000
ACSIZE	0.250903	0.008442	29.72203	0.0000
LEV	0.091243	0.005865	15.55686	0.0000
ROA	2.476362	0.094181	26.29372	0.0000
ROE	0.037905	0.032549	1.164572	0.2455

Moderated Regression Analysis

Moderated Regression Analysis (MRA) is used to examine whether audit committee size moderates the relationship between ESG disclosure and firm performance. The estimated model is:

Net Income = 10.401 + 0.635 ESG + 0.207 ACSIZE + 0.091 LEV + 2.481 ROA + 0.034 ROE + 0.068(ESG × ACSIZE)

As presented in Table 9, ESG disclosure has a positive and significant effect on firm performance ($\beta = 0.636$; $p = 0.0039$). Audit committee size also has a positive and significant direct effect ($\beta = 0.207$; $p = 0.0000$). Leverage and ROA are positively significant, whereas ROE is positive but insignificant ($p = 0.2817$).

The interaction term between ESG disclosure and audit committee size is positive and significant (β = 0.068; p = 0.0304). This indicates that audit committee size strengthens the positive relationship between ESG disclosure and firm performance, supporting H2. Since audit committee size has both a significant direct effect and a significant interaction effect, it functions as a quasi-moderator in the relationship. Overall, the findings suggest that companies with larger audit committees may obtain greater benefits from ESG disclosure in terms of firm performance.

Coefficient Determination Test (R^2)

The coefficient of determination is measured using the adjusted R-squared to assess the explanatory power of the regression model. The adjusted R-squared value is 0.917, indicating that 91.7% of the variation in firm performance is explained by ESG disclosure, audit committee size, their interaction, and the control variables. The remaining 8.3% is explained by other factors outside the model.

Table 9
Coefficient Determination Test (R2)

Root Mean Squared Error	0.065752
Mean Dependent Variable	5.491766
Standard Deviation Dependent Variable	0.237182
Sum Squared Residuals	0.964113
Durbin-Watson Statistic	1.715285
R-squared	0.919383
Adjusted R-squared	0.917143
Standard Error of Regression	0.066809
F-statistic	410.5536
Prob (F-statistic)	0.000000

F-Test

The F-test is conducted to examine the overall significance of the regression model and whether the explanatory variables jointly contribute to firm performance. The F-statistic is 410.554 with a probability value of 0.0000, which is below the 0.05 significance level. Therefore, the regression model is statistically significant, indicating that ESG disclosure, audit committee size, their interaction, leverage, ROA, and ROE collectively explain variations in firm performance.

Table 10
F-Test

Root Mean Squared Error	0.065752
Mean Dependent Variable	5.491766
Standard Deviation Dependent Variable	0.237182
Sum Squared Residuals	0.964113
Durbin-Watson Statistic	1.715285
R-Squared	0.919383
Adjusted R-Squared	0.917143
Standard Error of Regression	0.066809
F-statistic	410.5536
Prob (F-statistic)	0.000000

T-Test

The t-test is conducted to examine the partial effect of each variable on firm performance at a 5% significance level. As presented in the table below, ESG disclosure has a positive and significant effect on firm performance (β = 0.636, p = 0.0039), supporting H1. The interaction between ESG

disclosure and audit committee size is also positive and significant (β = 0.068, p = 0.0304), indicating that audit committee size strengthens the positive relationship between ESG disclosure and firm performance, thereby supporting H2.

Table 11
T-Test

Variable	Coefficient	Standard Error	t-Statistic	Probability
C	10.40133	0.148146	70.21005	0.0000
ESG	0.635681	0.217671	2.920380	0.0039
AUDIT COMMITTEE	0.206165	0.044301	4.653728	0.0000
LEVERAGE	0.090536	0.005853	15.46721	0.0000
ROA	2.480979	0.093409	26.56025	0.0000
ROE	0.034948	0.032386	1.079113	0.2817
ESG*AUDIT COMMITTEE	0.067551	0.065533	3.030790	0.0304

ESG Disclosure Positively Influences Firm Performance

The results support H1, indicating that ESG disclosure has a positive and significant effect on firm performance, with a coefficient of 0.636 and a probability value of 0.0039. This finding suggests that companies with more extensive ESG disclosure tend to achieve better financial performance. ESG disclosure can enhance transparency and accountability, strengthen stakeholder confidence, and support firms' access to resources and investment opportunities.

The finding is consistent with Pulino et al. (2022) and Chung et al. (2024), which report a positive relationship between ESG disclosure and firm performance. It also supports Dincer et al. (2023), who found that sustainability reporting can contribute positively to firm performance. The inclusion of leverage, ROA, and ROE as control variables further allows the relationship between ESG disclosure and firm performance to be examined while accounting for differences in firms' financial characteristics.

From the perspective of legitimacy theory, ESG disclosure enables companies to demonstrate that their activities are aligned with societal expectations and corporate responsibilities. Transparent disclosure of environmental, social, and governance practices can strengthen perceived legitimacy and stakeholder trust, which may subsequently contribute to improved financial performance. Therefore, the findings indicate that ESG disclosure serves not only as a reporting mechanism but also as a means of strengthening stakeholder relationships and supporting firm performance.

Audit Committee Size Strengthens the Influence of ESG Disclosure on Firm Performance

The results support H2, showing that audit committee size significantly strengthens the positive relationship between ESG disclosure and firm performance. The interaction coefficient between ESG disclosure and audit committee size is 0.068, with a probability value of 0.0304. The positive and significant interaction indicates that companies with larger audit committees tend to obtain greater benefits from ESG disclosure in terms of firm performance.

A larger audit committee may provide greater monitoring capacity, broader expertise, and more resources to oversee corporate reporting and ESG-related information. Effective oversight can improve the credibility and reliability of ESG disclosure, thereby strengthening its contribution to firm performance. This finding is consistent with Erin et al. (2022) and Umar et al. (2023), which highlight the role of audit committee characteristics, particularly size, in improving sustainability disclosure and reporting quality.

The finding is also consistent with Fuadah et al. (2022) and Elmghaamez (2024), which indicate that audit committee effectiveness can strengthen the relationship between ESG disclosure and firm performance. From the perspective of legitimacy theory, a larger audit committee can reinforce monitoring and accountability, ensuring that ESG information is more credible and aligned with stakeholder expectations. Thus, audit committee size functions as a quasi-moderator, as it has

both a significant direct effect on firm performance and a significant interaction effect with ESG disclosure. Overall, the findings suggest that stronger audit committee oversight can enhance the value of ESG disclosure for firm performance.

CONCLUSIONS AND LIMITATIONS

This section contains the research conclusions, research limitations, and suggestions for future research.

Conclusion

This study examines the effect of ESG disclosure on firm performance and the moderating role of audit committee size among high-profile companies listed on the Indonesia Stock Exchange during 2020–2023. The findings indicate that ESG disclosure has a positive and significant effect on firm performance, supporting H1 and suggesting that companies with more extensive and transparent ESG disclosure tend to achieve better financial performance. The adjusted R-squared of 91.7% indicates that the variables included in the model explain a substantial proportion of the variation in firm performance. Furthermore, audit committee size significantly strengthens the positive relationship between ESG disclosure and firm performance, supporting H2. The positive interaction coefficient of approximately 0.068 ($p = 0.0304$) suggests that larger audit committees may enhance the effectiveness of ESG disclosure in contributing to firm performance through stronger oversight and support for sustainability reporting.

Limitations

1. The sample is restricted by the number of IDX-listed high-profile companies that consistently disclosed ESG information in accordance with GRI Standards during 2020–2023.
2. Firm performance is measured only by net income, which may be affected by differences in firm size, capital structure, financing, and other financial factors.
3. The study focuses only on audit committee size, while other governance characteristics may also influence the relationship between ESG disclosure and firm performance.

Suggestions

1. Future research could include broader industries or companies from different countries to increase the scope and comparability of the findings.
2. Future studies could incorporate other measures, such as stock returns, Tobin's Q, or ROA, to provide a more comprehensive assessment of firm performance.
3. Future research could examine additional corporate governance characteristics as moderating variables to provide a broader understanding of the ESG disclosure–firm performance relationship.

REFERENCE

Alareeni, B. A., & Hamdan, A. (2020). ESG impact on performance of US S&P 500-listed firms. *Corporate Governance (Bingley)*, *20*(7), 1409–1428. https://doi.org/10.1108/CG-06-2020-0258

Baier, P., Berninger, M., & Kiesel, F. (2020). Environmental, social and governance reporting in annual reports: A textual analysis. *Financial Markets, Institutions and Instruments*, *29*(3), 93–118. https://doi.org/10.1111/fmii.12132

Buallay, A. (2022). Sustainability reporting and agriculture industries' performance: worldwide evidence. *Journal of Agribusiness in Developing and Emerging Economies*, *12*(5), 769–790. https://doi.org/10.1108/JADEE-10-2020-0247

Carvajal, M., & Nadeem, M. (2023). Financially material sustainability reporting and firm performance in New Zealand. *Meditari Accountancy Research*, *31*(4), 938–969. https://doi.org/10.1108/MEDAR-06-2021-1346

Chung, R., Bayne, L., & Birt, J. (2024). The impact of environmental, social and governance (ESG) disclosure on firm financial performance: evidence from Hong Kong. *Asian Review of Accounting*, *32*(1), 136–165. https://doi.org/10.1108/ARA-07-2022-0165

D'Angelo, V., Cappa, F., & Peruffo, E. (2023). Green manufacturing for sustainable development: The positive effects of green activities, green investments, and non-green products on economic performance. *Business Strategy and the Environment*, *32*(4), 1900–1913. https://doi.org/10.1002/bse.3226

Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation. *Accounting, Auditing & Accountability Journal*, *15*(3), 282–311. https://doi.org/10.1108/09513570210435852

Dincer, B., Keskin, A. İ., & Dincer, C. (2023). Nexus between Sustainability Reporting and Firm Performance: Considering Industry Groups, Accounting, and Market Measures. *Sustainability (Switzerland)*, *15*(7). https://doi.org/10.3390/su15075849

Elmghaamez, I. K. (2024). *ESG disclosure and financial performance of multinational enterprises : The moderating effect of board standing committees*. *July 2022*. https://doi.org/10.1002/ijfe.2846

Erin, O., Adegboye, A., & Bamigboye, O. A. (2022). Corporate governance and sustainability reporting quality: evidence from Nigeria. *Sustainability Accounting, Management and Policy Journal*, *13*(3), 680–707. https://doi.org/10.1108/SAMPJ-06-2020-0185

Fuadah, L. L., Mukhtaruddin, M., Andriana, I., & Arisman, A. (2022). *The Ownership Structure , and the Environmental , Social , and Governance (ESG) Disclosure , Firm Value and Firm Performance : The Audit Committee as Moderating Variable*.

Gray, R., Kouhy, R., Lavers, S., Gray, R., Kouhy, R., & Lavers, S. (1995). *longitudinal study of UK disclosure*.

Harymawan, I., Kristanto, F., Putra, G., Devi, T., & Agni, K. (2020). *Sustainability Report Practices in Indonesia : Context , Policy , and Readability*. *10*(3), 438–443.

Husna, G. A., Yuhertiana, I., & Susilowati, E. (2023). Pengaruh Good Corporate Governance Terhadap Pengungkapan ESG dan Kinerja Perusahaan Pada Perusahaan BUMN yang Terdaftar di Bursa Efek Indonesia Periode 2018-2022. *Jurnal Sosial Dan Sains*, *3*(12), 1235–1252.

Jain, K., & Tripathi, P. S. (2023). Mapping the environmental, social and governance literature: a bibliometric and content analysis. *Journal of Strategy and Management*, *16*(3), 397–428. https://doi.org/10.1108/JSMA-05-2022-0092

Khanchel, I., Lassoued, N., & Baccar, I. (2023). Sustainability and firm performance: the role of environmental, social and governance disclosure and green innovation. *Management Decision*, *61*(9), 2720–2739. https://doi.org/10.1108/MD-09-2021-1252

Maji, S. G., & Lohia, P. (2023). Environmental, social and governance (ESG) performance and firm performance in India. *Society and Business Review*, *18*(1), 175–194. https://doi.org/10.1108/SBR-06-2022-0162

Milne, M. J., & Hackston, D. (1996). Some determinants of social and environmental disclosures in New Zealand companies. *Accounting, Auditing & Accountability Journal*, *9*(1), 77–108.

Patten, D. M. (1991). *Exposure , Legitimacy , and Social Disclosure*. 297–308.

Patten, D. M. (2020). Seeking legitimacy. *Sustainability Accounting, Management and Policy Journal*, *11*(6), 1009–1021. https://doi.org/10.1108/SAMPJ-12-2018-0332

Prashar, A. (2023). Moderating effects on sustainability reporting and firm performance relationships: a meta-analytical review. *International Journal of Productivity and Performance Management*, *72*(4), 1154–1181. https://doi.org/10.1108/IJPPM-04-2021-0183

Pulino, S. C., Ciaburri, M., Magnanelli, B. S., & Nasta, L. (2022). Does ESG Disclosure Influence Firm Performance? *Sustainability (Switzerland)*, *14*(13), 1–18. https://doi.org/10.3390/su14137595

Roberts, R. W. (1992). Determinants of corporate social responsibility disclosure. *Accounting, Organizations and Society*, *17*(6), 595–612.

Suchman, M. C. (2014). Managing Legitimacy: Strategic and Approaches. *Academy of Management Review*, *20*(3), 571–610. http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.108.2768&rep=rep1&type=pdf

Treepongkaruna, S., & Suttipun, M. (2024). The impact of environmental, social and governance (ESG) reporting on corporate profitability: evidence from Thailand. *Journal of Financial Reporting and Accounting*. https://doi.org/10.1108/JFRA-09-2023-0555

Umar, U. H., Firmansyah, E. A., Danlami, M. R., & Al-Faryan, M. A. S. (2023). Revisiting the relationship between corporate governance mechanisms and ESG disclosures in Saudi Arabia. *Journal of Accounting and Organizational Change*. https://doi.org/10.1108/JAOC-01-2023-0011

Wasiuzzaman, S., Ibrahim, S. A., & Kawi, F. (2023). Environmental, social and governance (ESG) disclosure and firm performance: does national culture matter? *Meditari Accountancy Research*, *31*(5), 1239–1265. https://doi.org/10.1108/MEDAR-06-2021-1356