THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS AND AUDIT QUALITY ON ESG PERFORMANCE WITH SUSTAINABLE GROWTH RATE AS A MODERATION VARIABLE

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Abstract

This study examines the impact of audit committee characteristics and audit quality on environmental, social, and governance (ESG) performance, with the sustainable growth rate (SGR) serving as a moderating variable. Previous studies have highlighted the importance of corporate governance mechanisms such as audit committees to ESG disclosure and performance (Pozzoli et al., 2022; Arif et al., 2021). However, higher audit quality can also improve the transparency and credibility of ESG reporting, as previous studies have shown (Del Giudice & Rigamonti, 2020; Zahid et al., 2022). Secondary data from 147 ASEAN-5 listed companies from 2019 to 2023 were used. A purposive sampling approach was adopted, and multiple regression alongside moderation was used to test the variables for this research. This study found that audit committee size, independence, and frequency improve ESG performance. However, committee financial knowledge and audit quality do not improve ESG performance. Additionally, ESG performance is negatively correlated with the sustainable growth rate. This study also reveals that the sustainable growth rate can strengthen the favorable association between audit committee meeting size and frequency, audit quality, and ESG performance. A possible non-linear link between the sustainable growth rate and moderating impact requires further investigation.

Keywords: ESG, Audit Committee Characteristics, Audit Quality, Sustainable Growth Rate

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1. INTRODUCTION

With increasingly dynamic developments, companies are increasingly encouraged to not only focus on achieving financial goals but also pay attention to ESG (Alotaibi & Al-Dubai, 2024; Fernando et al., 2022; Guo & Oh, 2024). The concept of environmental, social, and governance (ESG) was originally introduced through a study of the United Nations (UN) Global Compact in 2004 on the importance of considering ESG factors in investment decision-making. This is because ESG performance is

considered to affect a company's ability to implement its business strategy and build value in the long term (Yang & Lindrianasari, 2025; Guedes & Grübler, 2025; Debnath et al., 2024; Ktit & Abu Khalaf, 2024; Josua & Septiani, 2020). The Sustainable Development Goals (SDGs) were started by the joined together countries in 2015, there are 17 worldwide objectives, particularly 169 targets to back the execution of the 2030 Plan, one of which is the divulgence of ESG as one of the most important components used by a company to accomplish the economic improvement objectives (SDG 8), legislative issues, and financial matters (Saputra et al., 2024).

ASEAN-5 countries require certain shapes of ESG disclosure, with governments providing guidelines for sustainability reporting (Trianaputri & Djakman, 2019). All trades in the five nations are individuals of the feasible stock trade activity. However, Indonesia and the Philippines only implemented ESG reporting requirements post-2020, suggesting that ESG disclosure in these markets will be increasingly critical in meeting the 2030 SDGs. Based on ESG score information from Refinitiv Eikon, it was found that the ESG score from each open company recorded on the stock trade of each nation in 2023 was by Thailand at 73.51, demonstrating that Thailand is the nation with the most noteworthy ESG mindfulness. Second, in Malaysia, with a score of 53.84. Third, in Singapore, with a score of 52.82. Fourth, within the Philippines of 50.61, and Indonesia with a score of 45.68. Indonesia's relatively low ESG rating highlights the necessity for this study to explore strategies for enhancing future ESG performance.

Research by Desy Hapsari and Arieftiara (2024) indicates that ESG performance is a key indicator of how effectively companies address the ethical implications of their decisions during crises. This aligns with Olteanu Burcă et al. (2024), which emphasizes the importance of corporate governance mechanisms in improving ESG practices. Collaborative efforts among national and corporate stakeholders are essential to achieve sustainability goals and enhance ESG disclosure for improved performance. In this context, the audit committee plays a crucial role in corporate governance, ensuring the adequacy and sustainability of non-financial reporting, particularly regarding sustainability issues (Pozzoli et al., 2022). The audit committee is responsible for verifying companies' compliance with non-financial reporting standards and providing accurate and transparent information to stakeholders.

Therefore, this study examines the impact of audit committee characteristics on a company's ESG performance. Dwekat et al. (2022) and Arif et al. (2021) affirm that committee characteristics such as financial expertise and independence contribute to ESG performance and quality. However, Josua and Septiani (2020) found that only audit committee size and meeting frequency significantly influence ESG performance. To address the research gap arising from these inconsistent findings, this paper investigates further the influence of characteristics of audit committees on ESG performance.

Additionally, Zahid et al. (2022) found that audit quality has a significant effect on the association between ESG and company financial performance in businesses in Western Europe. Then, according to Del Giudice and Rigamonti (2020), audit quality also has an important role in ESG performance and provides empirical evidence that sustainability report audits increase the reliability and transparency of ESG, in turn significantly positive on the quality of ESG disclosure. This study also involves the sustainable growth rate (SGR) as a moderator of ESG performance. The results of the study found that sustainable growth rates can increase the influence of ESG disclosure on company value. In addition, research conducted by Ramadhan et al. (2024) provides an understanding that ESG risks not only have an impact on company performance but also on the company's sustainable growth.

The rest of this paper is structured as follows. Section 2 reviews the relevant literature, theoretical foundation, and contextual background for our study. Section 3 details the research methodology that has been used to conduct empirical research. Section 4 presents the results of our empirical analysis. Section 5 provides a discussion of these results, interpreting implications, relating to the literature. Section 6 concludes the paper, summarizing the main findings, highlighting the contributions of this research, addressing the limitations of the study, and suggesting potential avenues for future investigation.

2. LITERATURE REVIEW

2.1. Theoretical framework

Agency theory emphasizes that there is an ethical distinction between the operator and the foremost, which can lead to organizational issues (Jensen & Meckling, 1976). The presence of organizational issues can cause clashes of intrigue and data asymmetry since specialists have more data approximately the company than principals. The audit committee can increase transparency and responsibility within the organization by supervising how non-financial detailing is done and reducing the asymmetry (Pernamasari & Chariri, 2024; Alotaibi & Al-Dubai, 2024; Pozzoli et al., 2022).

The Financial Services Authority Regulation Number 55 /POJK.04/2015 clarifies the obligations and duties of the audit committee leading to the work of supervision and appraisal of the forms contained within the company. The audit committee will conduct supervision and appraisal with the point of expanding the adequacy of the detailing handle so that there is straightforwardness in budgetary articulations and produces quality budgetary reports, understanding pertinent measures, ensuring transparency in financial statements, and producing quality financial reports following applicable standards, as well as ensure an adequate audit process (Ardyanti, 2023; Solihah & Rosdiana, 2022; Sari et al., 2021).

Audit quality is a degree of appraisal of the review process, and the outcome of the review conducted by the reviewer points to reducing the chance of fabricating or misrepresentation in monetary statements. Companies with high review quality can be recognized by way better oversight and fewer organizational clashes between proprietors and management. In case the quality of the review is considered great, the administration must act normally by prioritizing a common interface, particularly the interface of principals in terms of benefit sharing or financial specialists (Olteanu Burcă et al., 2024; Sihombing & Widono, 2023).

The SGR is the rate at which a corporation develops without expanding budgetary use, such as by taking on debt or expanding equity capital. This can be a key pointer to a company's capacity to preserve its working capital and short-term resources. SGR is important because it makes a difference when companies screen their development rate and decide when to create changes or delay reassessing. A high rate can be a great thing, but it can moreover cruel that the company is overexpanding its assets and gambling on negative future impacts (Vivianita et al., 2023; Li et al., 2021).

2.2. Hypothesis development

2.2.1. The effect of audit committee characteristics on ESG performance

A bigger amount of committee can make the audit committee work more successfully and productively. The past inquiries conducted by Olteanu Burcă et al. (2024) and Khasanah (2022) found that the length of the audit committee features a positive impact on ESG, meaning that the bigger the audit committee, the more successful and productive the work will be and make strides in ESG performance. Also, research conducted by Buallay and AlDhaen (2018) and Pozzoli et al. (2022) discovered that the independence of the committee includes a positive impact on ESG, suggesting that the autonomy of the audit committee will make strides in the company's ESG performance. The number of audit committee gatherings outlines the number of gatherings held by the audit committee. Buallay and AlDhaen (2018) and Josua and Septiani (2020) clarified that the number of audit committee gatherings has a positive impact on ESG performance, meaning that the more gatherings, the more compelling and productive the audit committee works to make strides in ESG performance. The result of the research conducted by Narullia et al. (2024) and Pernamasari and Chariri (2024) clarified that the audit committee's skill also includes a positive impact on ESG performance, meaning that committees that have mastery within the financial segment will move forward the company's ESG performance.

H1: The size of the audit committee has a positive effect on ESG performance.

H2: Independence of the audit committee has a positive effect on ESG performance.

H3: The number of audit committee meetings has a positive effect on ESG performance.

H4: Audit committee's financial expertise has a positive effect on ESG performance.

2.2.2. The effect of audit quality on ESG performance

This observation clarifies that audit quality encompasses a positive impact on ESG performance, meaning that the higher the review quality, the better the company's ESG performance. Olteanu Burcă et al. (2024) clarified that review quality influences ESG, meaning that the better the review quality possessed by the company, the better the company's ESG performance. In this way, the inquiry conducted by Harindahyani and Tjahjadi (2024) uncovered that companies that have more ESG risks select the Big 4 to review their financial statements.

H5: Audit quality has a positive effect on ESG performance.

2.2.3. The effect of sustainable growth rate on ESG performance

The SGR depicts a company's capacity to develop without having to fund development with extra obligations or value. Based on Vivianita et al. (2023), it appears that the feasible development rate can increase the impact of ESG. Therefore:

H6: Sustainable growth rate has a positive effect on ESG performance.

2.2.4. Sustainable growth rate as a moderator of the influence of audit committee size on ESG performance

Based on the investigation conducted by Vivianita et al. (2023), it appears that the economic development rate can increase the impact of ESG. In this way, this consideration includes the part of the SGR to see if it can increase the influence of audit committee characteristics on ESG. Therefore:

H7: SGR strengthens the positive relationship of audit committee size to ESG performance

H8: SGR strengthens the positive relationship between the independence of the audit committee and ESG performance.

H9: SGR strengthens the positive relationship between the number of audit committee meetings to ESG performance.

H10: SGR strengthens the positive relationship between financial expertise and ESG performance.

2.2.5. Sustainability growth rate as a moderator of the influence of audit quality on ESG performance

SGR is portrayed as the development rate anticipated by a company within the long term, concurring with Ramadhan et al. (2024) that the presence of ESG dangers will affect the company's economic development. In this case, the quality of the company examined by the Big 4 appears to have more sustainable growth compared to the company reviewed by one of the small review firms (Badawy, 2020). Therefore:

H11: SGR strengthens the positive relationship between audit quality and ESG performance.

3. RESEARCH METHODOLOGY

3.1. Population and sample

In this consideration, the population utilized is a non-financial public company listed on the ASEAN-5. The material and information were gathered from official sources such as Refinitiv Eikon and S&P Capital IQ from 2019 to 2023. We applied the purposive sampling to decide the criteria that are relevant to this consideration by conducting a test determination preparation so that the inquiries about come about are consistent with the goals of this ponder. The premise for the choice of the test incorporates 1) an open company within the non-financial segment listed on the ASEAN-5 Trade amid the period 2019–2023, 2) a company that distributes financial statements amid 2019–2023, 3) a company that uncovers ESG score on Refinitiv Eikon amid 2019–2023, 4) a company that is not within the financial segment, and 5) a company as of now has all the factors that the creator needs on S&P Capital IQ and Refinitiv Eikon.

3.2. Methodology

In this study, the method for data analysis uses a panel data regression model, which is a combination of cross-sectional and time series data. This approach would account for unobserved heterogeneity across companies and over time, providing more robust estimates. Data processing uses Stata software version 17 based on the regression model that has been formed.

3.3. Empirical models of research

Below is the regression equation (Eq. (1)) for Model 1 in this study.

Model 2 was formed to test the influence of moderation variable in this study (Eq. (2)):

$$ESG = \alpha + \beta_1 ACSIZE + \beta_2 ACINDEP + \beta_3 ACMEET + \beta_4 ACEXP + \beta_5 BIG4 + \beta_6 SGR + \beta_7 ROA + \beta_8 DER + \beta_9 FAGE + \beta_{10} FSIZE + \beta_{11} ROL + \beta_{12} INF + \varepsilon \quad (1)$$

$$ESG = \alpha + \beta_1 ACSIZE + \beta_2 ACINDEP + \beta_3 ACMEET + \beta_4 ACEXP + \beta_5 BIG4 + \beta_6 SGR + \beta_7 ACSIZE * SGR + \beta_8 ACINDEP * SGR + \beta_9 ACMEET * SGR + \beta_{10} ACEXP * SGR + \beta_{11} BIG4 * SGR + \beta_{12} ROA + \beta_{13} DER + \beta_{14} FAGE + \beta_{15} FSIZE + \beta_{16} ROL + \beta_{17} INF + \varepsilon \quad (2)$$

where:

- α: Constant;
- $\beta_1, \beta_2, \beta_3, \beta_4$: Regression coefficient;
- *ESG*: Environmental, social, and governance score;
- *ACSIZE*: Size of the audit committee;
- *ACINDEP*: Independence of the audit committee;
- *ACMEET*: Number of audit committee meetings;
- *ACEXP*: Audit committee financial experts;
- *BIG4*: Audit quality;
- *SGR*: Sustainability growth rate;
- *ROA*: Profitability;
- *DER*: Leverage;
- *FSIZE*: Company size;
- *FAGE*: Company age;
- *ROL*: Rule of law score;
- *INF*: Inflation rate;
- ε: Error.

3.4. Definition of operational variables

3.4.1. Dependent variable

The *ESG score* was obtained based on Refinitiv, which gives a score ranging from 0 to 100. An ESG score from 0 to 25 indicates low ESG performance, 25 to 75 indicates moderate performance, and 75 to 100 indicates excellent performance.

3.4.2. Independent variables

According to Abdullah et al. (2024), Al-Matari (2022), and Mohammadi et al. (2021), *the size of the audit committee* is determined based on the decision of the board of commissioners meeting. The formula is obtained:

$$Size\ of\ the\ audit\ committee = \sum Number\ of\ audit\ committee\ member$$

According to Astuti and Yopie (2020) and Mohammadi et al. (2021), *independence of the audit committee* is the ratio of independent committee members to the total members of the audit committee. Therefore, the formula is obtained:

$$Independence\ of\ the\ audit\ committee = \frac{\sum Independent\ audit\ committee}{\sum Number\ of\ audit\ committee\ member}$$

According to Al-Matari (2022) and Mohammadi et al. (2021), the *number of audit committee meetings* is the frequency of audit committee meetings in one period. Therefore, the formula is obtained:

$$Number\ of\ audit\ committee\ meetings = \sum Audit\ committee\ meetings\ in\ one\ year$$

The source of the data is obtained from Refinitiv Eikon. Thus, in this study, *audit committee financial experts* are a dummy variable where Sarbanes-Oxley mandates that a company's audit committee comprise a minimum of three members, with a minimum of one financial expert (Al-Matari, 2022; Ginesti et al., 2023). Therefore, if the company has one financial expertise = 1; otherwise = 0.

According to Alhumoudi (2024), proxies in measuring *audit quality* can be as diverse as the size of the audit company, audit fees, and audit opinions. In this study, public accounting firms (Big 4) will be used to measure audit quality. Therefore, the dummy variables for audit quality are: Big 4 = 1; otherwise = 0.

3.4.3. Moderation variable

In this study, there is a moderation variable, namely the *sustainable growth rate* (*SGR*). *SGR* is one of the financial analyses that can be used to monitor a company's performance during the implementation of the SDGs program and sustainability finance. According to Ramadhan et al. (2024), SGR is a measure of a company's growth rate based on total return to equity (ROE), and the company's ability, based on internal savings, is measured as the retention ratio obtained from the value of 1 minus the dividend payout ratio. According to Arora et al. (2018) and Theresia and Triwacananingrum (2022), below is the formula to calculate SGR:

$$SGR = \frac{ROE \times (1 - Dividend\ payout\ ratio)}{1 - [ROE \times (1 - Dividend\ payout\ ratio)]}$$

3.4.4. Control variables

Profitability is used to measure the effectiveness of management based on the profits generated from sales and investments. The following are the ratios used in measuring profitability (Abdullah et al., 2024; Pozzoli et al., 2022):

$$ROA = \frac{Net\ profit}{Total\ asset}$$

Leverage is a measurement ratio that functions to determine the ratio of funds provided by creditors to funds from the owner of the company (Kuncoro, 2016). Leverage can be calculated as follows (Pozzoli et al., 2022):

$$DER = \frac{Total\ liabilities}{Total\ equity}$$

According to Abdullah et al. (2024) and Pozzoli et al. (2022), a proxy for the *company size* is as follows:

$$FSIZE = Ln(Total\ asset)$$

According to Abdullah et al. (2024) and Andari and Saryadi (2020), the *company age* is calculated from the year of the financial statements minus the IPO date, as follows:

$$FAGE = Company\ financial\ report\ year - IPO\ year$$

This study also involves the *rule of law score*, which is the fifth control variable, as the level of the country. The rule of law score is an important indicator in governance to measure government law enforcement in each country (Putri, 2022). The rule of law score in each country is obtained from the World Justice Project and has a scale of 0 to 1 based on the average result of eight factors for each country, so that the rule of law score comprehensively describes the degree of compliance of countries and the law practiced (Annisa & Hartanti, 2021; World Justice Project, 2015)

This study also involves *inflation*, which is the sixth control variable. Inflation is an average rise in the cost of a service or product throughout a period. The inflation rate in this study was obtained from the World Bank, where each country has a different inflation rate every year.

4. RESULTS

4.1. Descriptive statistics

Descriptive statistics provide information on the sample, such as the average value, maximum value, minimum value, and standard deviation of each variable that is analyzed. In this research, the Stata software version 17 is used to analyze the data and descriptive statistics. The independent variable tested in this research is the size of the audit committee (*ACSIZE*), the independence of the audit committee (*ACINDEP*), the number of audit committee meetings (*ACMEET*), the audit committee financial experts (*ACEXP*), and the audit quality (*BIG4*), sustainable growth rate (*SGR*) as a moderating variable and control variables that include profitability (*ROA*), leverage (*DER*), company size (*FSIZE*), company age (*FAGE*), rule of law score (*ROL*), and inflation rate (*INF*).

Table 1. Descriptive statistics results

Variable	*Obs.*	*Mean*	*Standard deviation*	*Min*	*Max*
ESG	735	52.17	17.83	3.13	91.85
ACSIZE	735	3.52	0.80	3.00	7.00
ACINDEP	735	0.91	0.16	0.25	1.00
ACMEET	735	6.97	5.22	2.00	43.00
ACEXP	735	0.71	0.45	0.00	1.00
BIG4	735	0.90	0.30	0.00	1.00
SGR	735	0.04	0.61	-12.53	9.44
ROA	735	0.05	0.07	-0.56	0.85
DER	735	1.96	10.36	-5.37	205.05
FSIZE	735	11.66	3.27	5.43	19.92
FAGE	735	21.20	15.16	0.00	123.00
ROL	735	0.54	0.13	0.31	0.80
INF	735	0.02	0.02	-0.01	0.06

The result in Table 1 shows from 735 samples that the mean *ESG* score in this consideration is 52.166 suggesting that non-financial segment companies in ASEAN-5 nations in this consideration have a mean *ESG* score of 52.166 and the standard deviation from the *ESG* score specific 17.825 indicates that the variable is not too varied, with a maximum value 91.850 and the minimum is 3.130. *ACSIZE* shows that the standard deviation of 0.803, whereas the highest is 7 and the lowest is 3. The *ACINDEP* standard deviation of 0.159 with the highest of the variables, of 1, and the lowest of 0.250. *ACMEET* has a maximum of 43 and a least of 2. The *ACEXP* standard deviation is 0.453, with the most extreme of the *ACEXP* variable of 1 and the least of 0. The *BIG4* standard deviation is 0.301, with a highest value of 1 and a lowest value of 0. The *SGR* standard deviation is 0.612, with a highest of 9.440 and a lowest of -12.530. The *ROA* shows a standard deviation of 0.073 with a most extreme of 0.854 and the least of -0.563. The *DER* shows standard deviation is 10.363, with a highest of 205.050 and the lowest of -5.370. The *FAGE* shows the standard deviation is 15.158, whereas the highest is 123 and the lowest is 0. The *ROL* standard deviation is 0.127, whereas the highest is 0.80 and the lowest is 0.31. The standard deviation of *INF* is 0.021, and the highest is 0.061, and the lowest is -0.011.

4.2. Correlation analysis

Based on the results of the correlation test in Table 2, the relationship between variables that has a value below 0.5 indicates a weak relationship between the variables. Meanwhile, variables that have a value above 0.5 have a fairly strong relationship.

Table 2. Correlation test results

	ESG	ACSIZE	ACINDEP	ACMEET	ACEXP	BIG4	SGR	ROA	DER	SIZE	AGE	ROL	INF
ESG	1,00												
ACSIZE	0.00	1.00											
ACINDEP	-0.01	-0.18*	1.00										
ACMEET	0.20*	0.09*	-0.05	1.00									
ACEXP	0.15*	0.19*	-0.07*	-0.16*	1.00								
BIG4	-0.01	-0.04	-0.01	-0.03	-0.05	1.00							
SGR	0.19*	0.10*	-0.06	0.06	0.28*	-0.02	1.00						
ROA	-0.07*	-0.08*	0.00	-0.01	-0.07*	0.45*	-0.01	1.00					
DER	-0.02	-0.01	0.03	0.01	-0.03	-0.08*	0.03	-0.23*	1.00				
SIZE	0.08*	-0.06	-0.08*	0.33*	-0.42*	-0.01	-0.14*	-0.09*	0.03	1.00			
AGE	0.10*	0.07*	-0.16*	0.01	-0.06	0.02	-0.11*	-0.04	0.01	0.16*	1.00		
ROL	-0.19*	0.20*	0.18*	0.20*	0.25*	-0.01	0.08*	-0.01	-0.02	-0.41*	-0.10*	1.00	
INF	-0.13*	0.05	-0.18*	-0.04	-0.09*	0.00	-0.03	-0.06*	-0.04	0.10*	0.01	-0.05	1.00

*Note: * statistical significance at the 95% confidence level.*
Source: Authors' elaboration using Stata version 17.

4.3. Classical assumption test

The multicollinearity test points to assessing the relationship between free factors by looking at the variance inflation factor (VIF), which includes a tolerance restraint (TOL) of < 10.

Table 3. Multicollinearity test results

Variable	Model 1	Model 2
ACSIZE	1.03	1.06
ACINDEP	1.03	1.03
ACMEET	2.51	3.51
ACEXP	3.06	3.39
BIG4	1.07	1.11
SGR	1.25	1.30
ACSIZE x SGR		1.06
ACINDEP x SGR		1.01
ACMEET x SGR		1.40
ACEXP x SGR		1.36
BIG4 x SGR		1.06
ROA	1.84	2.24
DER	1.08	1.08
SIZE	1.29	1.26
AGE	2.55	2.60
ROL	1.14	1.00
INF	1.89	1.93
Mean VIF	**1.65**	**1.61**

Source: Authors' elaboration using Stata version 17.

Table 3 shows that in Models 1 and 2, all variables with a resilience below 10. This indicates that the models are free from the multicollinearity issue, with a VIF average of 1.65 for Model 1 and 1.61 for Model 2.

The heteroscedasticity test is used to see the residuals between variables. The heteroscedasticity test for the fixed effect model (FEM).

Table 4. Heteroscedasticity test results: Modified Wald test for groupwise heteroskedasticity in fixed-effect regression model

Model equation	Model 1	Model 2
Prob > chi2	0.00	0.00

Source: Authors' elaboration using Stata version 17.

From Table 4, the result of the Prob > chi2 = 0.00 for both Model 1 and Model 2 means that there is a heteroskedasticity problem in the two models.

The autocorrelation test aims to validate the existence of errors or errors that can affect the relationship between research periods.

Table 5. Autocorrelation test results: Wooldridge test for autocorrelation in panel data

Model equation	Model 1	Model 2
Prob > F	0.00	0.00

Source: Authors' elaboration using Stata version 17.

Based on the test results in Table 5, it was obtained that the Prob > F = 0.00, both for Model 1 and Model 2 means that there is an autocorrelation problem in the two models.

4.4. Hypothesis test

4.4.1. Determination coefficient test (R-squared)

Based on Table 6, the R-squared for Model 1 is 0.2261, or it can be clarified that the relationship between the free factors spoken to by the estimate *ACSIZE*, *ACINDEP*, *ACMEET*, *ACEXP*, *BIG4*, *SGR*, *ROA*, *DER*, *FSIZE*, *FAGE*, *ROL*, and *INF* can be able to clarify ESG performance (ESG) factors by 22.61%, whereas 77.39% is completed by clarifications of other factors that are not found within the to begin with demonstration. Meanwhile, the result of Model 2 shows the R-squared is 23.59%, whereas 76.41% is accounted for by the clarification of other factors that are not contained within the moment show of this think about.

Table 6. Determination coefficient test results

Model equation	Model 1	Model 2
R-squared	0.2261	0.2359

Source: Authors' elaboration using Stata version 17.

4.4.2. F-statistics test

Based on Table 7, it can be seen that in Model 1 and Model 2, the probability values of Prob > F = 0.0039 for Model 1 and Prob > F = 0.0013 for Model 2 are obtained and respectively show a value smaller than the significance level of 0.05, concluding that the independent variables represented by *ACSIZE*, *ACINDEP*, *ACMEET*, *ACEXP*, *BIG4*, and the moderation variable, *SGR*, can significantly and simultaneously influence the dependent variable, *ESG*.

Table 7. Simultaneous significance test results: Model 1

Number of obs.	735
F (12, 4)	23.56
Prob > F	0.0039

Source: Authors' elaboration using Stata version 17.

Table 8. Simultaneous significance test results: Model 2

Number of obs.	735
F (17, 4)	40.07
Prob > F	0.0013

Source: Authors' elaboration using Stata version 17.

4.4.3. Statistical test

The limit contained in the statistical test is 0.1, which will give a two-tailed result, so that the value obtained needs to be divided by two. In the t-test, if the results show significant values, then the null hypothesis (H_0) is rejected and supports *H1*.

Table 9. T-test results

Variable	*Direction prediction*	*Model 1*				*Model 2*			
		Coeffient	*t*	*P > |t|*	*Conclusion*	*Coeffient*	*t*	*P > |t|*	*Conclusion*
Cons		11.68	1.43	0.23		11.97	1.44	0.22	
ACSIZE	(+)	0.76	2.45	0.07**	Accepted	-0.52	-1.04	0.36	
ACINDEP	(+)	0.53	5.69	0.01***	Accepted	-0.37	-1.20	0.30	
ACMEET	(+)	0.04	4.30	0.01***	Accepted	0.02	0.49	0.65	
ACEXP	(+)	1.22	1.09	0.34		1.30	1.21	0.29	
BIG4	(+)	0.56	0.40	0.71		-2.25	-1.46	0.22	
SGR	(+)	-0.63	-5.58	0.01***		-0.56	-6.22	0.003**	
ACSIZE x SGR	(+)					0.50	3.71	0.02**	Accepted
ACINDEP x SGR	(+)					-0.22	-1.50	0.21	
ACMEET x SGR	(+)					2.02	4.39	0.01***	Accepted
ACEXP x SGR	(+)					-2.57	-5.03	0.01***	
BIG4 x SGR	(+)					1.34	2.17	0.010**	Accepted
ROA		5.30	2.70	0.05**		7.06	10.28	0.00***	
DER		0.03	5.47	0.01***		0.03	5.16	0.01***	
SIZE		1.02	4.53	0.01***		10.10	4.70	0.01***	
AGE		1.84	5.57	0.01***		1.82	5.47	0.01***	
ROL		-4.70	-3.64	0.02**		-0.24	-0.35	0.74	
INF		5.52	0.30	0.78		5.86	0.29	0.78	

*Note: * p < 0.1, ** p < 0.05, *** p < 0.01.*
Source: Authors' elaboration using Stata version 17.

5. DISCUSSION

Based on the findings, it suggests that the size of the committee has a positive impact on ESG. These discoveries show that the larger the audit committee number, the more differing points of view and skills can contribute to comprehensive supervision and assessment of ESG practices and execution. In expansion, the more individuals on the audit committee, the more compelling it is to guarantee that it is related to ESG issues and gets satisfactory consideration and supervision. The results of this consideration are in line with inquiries that found that there is a positive impact of audit committee estimates on ESG performance (Buallay & AlDhaen, 2018; Josua & Septiani, 2020; Olteanu Burcă et al., 2024).

Based on the findings obtained, this implies that the audit committee assembly has a positive impact on ESG performance. These discoveries give an understanding that the recurrence of audit committee gatherings will result in superior oversight and stricter compliance with ESG reporting guidelines, which results in a more qualified and comprehensive ESG disclosure. This, moreover, appears administrative compliance from the necessities of Specialist Direction Number 55/POJK.04/2015, which requires audit committee meetings to be held at least two times in three months or four times a year, implying that in case more visit audit committee gatherings are held, it will affect ESG performance. The results of this ponder are in line with Desy Hapsari and Arieftiara (2024), Madi et al. (2014), and Idawati and Hanifah (2022) found that there was a positive impact on the number of committee gatherings on ESG.

According to findings from the data analysis in Model 1, it is suggested that meetings of the audit committee positively affect ESG performance. The results indicate that holding audit committee meetings more frequently leads to improved monitoring and enhanced adherence to ESG reporting standards. Consequently, this fosters more detailed and high-quality ESG disclosures. Moreover, it demonstrates compliance with the stipulations of Specialist Direction Number 55/POJK.04/2015, which mandates that audit committee meetings occur at least twice within three months or four times annually. Therefore, the increased frequency of these meetings positively impacts ESG performance. The outcomes of this research align with the findings of Desy Hapsari and Arieftiara (2024), Madi et al. (2014), and Idawati and Hanifah (2022), who identified a positive relationship between the number of audit committee meetings and ESG performance.

Based on the findings from data analysis in Model 1, it shows that it is not critical at alpha 10%, which implies that the money-related mastery of the audit committee does not have a positive impact on ESG performance. These discoveries show that the financial expertise of the audit committee is not the most important factor in making strides in ESG performance, this is often because a more complex and broader understanding of ESG performance and non-financial data is required, in expansion to considering other components such as the involvement of the audit committee and others. The results are in line with Buallay and AlDhaen (2018), Josua and Septiani (2020), Olteanu Burcă et al. (2024), and Khasanah (2022), who found that there was no impact of the audit committee's monetary ability on ESG performance.

Based on findings from the data analysis in Model 1, it is suggested that there is no positive effect of audit quality on ESG performance. These results indicate that audit quality does not influence ESG outcomes because it focuses more on a company's internal practices and policies rather than the effectiveness of external audits. Internal audits and management practices play a crucial role in implementing and improving ESG strategies,

which focus on the internal controls and processes within a company, have been found to have a more direct impact on ESG performance. External audits are primarily aimed at ensuring the accuracy of reports, whether related to finances or sustainability, rather than enhancing a company's ESG performance. The effectiveness of ESG performance is more closely related to a company's internal practices and policies rather than the external audit process. The findings of this research contradict previous studies (Del Giudice & Rigamonti, 2020; Zahid et al., 2022), indicating that audit quality positively impacts ESG performance.

According to the outcomes obtained from data analysis in Model 1, it shows that the sustainable growth rate (SGR) adversely affects ESG performance. The results indicate that firms perceived as controversial or that struggle to maintain sustainable growth will negatively impact their ESG performance. Companies experiencing higher ESG risks may be influenced by SGRs in the long run. The findings of this research contradict earlier studies conducted by Ramadhan et al. (2024) and Vivianita et al. (2023), which suggested a negative effect of the SGR on ESG performance.

Based on findings from data analysis in Model 2, this results in a P > |t| of 0.0105, which is less than 0.05, indicating that the SGR acts as a moderating factor that enhances the relationship between audit committee size and ESG performance.

Based on the results of data processing in Model 2, which show a value of -1.50 and produce a P > |t| of 0.1035 > 0.10, it is concluded that the SGR as a moderating variable cannot moderate the independence of the audit committee on ESG performance.

Based on the results of data processing in Model 2, a value P > |t| of 0.005 < 0.05 indicates that the SGR as a moderating variable can moderate (strengthen) the impact of the number of audit committee meetings on ESG performance.

Based on the results of data processing in Model 2, producing a P > |t| of 0.006 < 0.01, it is concluded that the SGR as a moderating variable can moderate (weaken) the impact of the audit committee's financial expertise on ESG performance.

Based on the results of data processing in Model 2, a value P > |t| of 0.048 < 0.05, so it is concluded that the SGR as a moderating variable can moderate (strengthen) the impact of the audit quality on ESG performance.

6. CONCLUSION

The research study aimed to test the impact of committee characteristics and audit quality on ESG performance with a sustainable growth rate as a moderating variable. In conducting testing, a purposive sampling was conducted that delivered 147 open companies within the non-financial segment in ASEAN-5 from 2019–2023 and came to 735 observations.

The findings indicate that audit committee independence, size, and meeting frequency positively influence ESG performance. In contrast, audit committee financial expertise and audit quality show no significant impact. The SGR exhibits a direct negative effect on ESG performance. Furthermore, the SGR moderates the relationships; it weakens the positive relationship between audit committee financial expertise on ESG performance, but strengthens the positive relationships between audit committee size, meeting frequency, and audit quality on ESG performance.

For potential speculators of the company, the progressive autonomous committee and the recurrence of audit committee gatherings held have a positive effect on the company's ESG performance, which can serve as a reassurance for investors seeking companies with strong governance and commitment to sustainability. This research underscores the necessity for regulatory bodies to implement policies that mandate adherence to ESG priorities, thereby fostering alignment with global sustainability objectives and ensuring industry-wide transparency and accountability. The findings of this study also highlight the imperative for corporations to incorporate ESG considerations into their enduring business strategies, not only to comply with increasing sustainability expectations but also to cultivate enhanced corporate resilience and stakeholder reputational value. This research contributes to the academic literature by offering substantive insights and a foundational reference for subsequent scholarly inquiries, particularly concerning the mitigation of identified limitations from previous researchers. It facilitates the exploration of complex interdependencies between ESG practices, organizational frameworks, and sustained performance, thereby serving as a catalyst for future investigations into ESG metrics and the examination of sector-specific challenges.

There are issues with the classical presumption test, specifically within the comes about of the autocorrelation test and the heteroscedasticity test, so that the test results are not always valid. The creator employs the strong mistake of the Driscoll Krey approach as a cure for theory testing. This consideration tests the characteristics of the audit committee based on the autonomy of the audit committee, the budgetary ability of the audit committee, the measure of the audit committee, and the number of audit committee gatherings. As 147 open companies in ASEAN-5 were considered, this is often due to the inadequate ESG factors that were reliably uncovered between 2019 and 2023.

The recommendations in this paper incorporate treating the blue problem using Driscoll Krey to overcome the issues of autocorrelation and heteroscedasticity. For subsequent inquiries, it can include other variables such as audit committee encounter, audit committee residency, and other variables, as well as the number of inquiries about periods.

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