

SUSTAINABILITY CORPORATE GOVERNANCE: THE ROLE OF AUDIT COMMITTEES ON THE BOARD, GENDER DIVERSITY, AND RISK MANAGEMENT

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Abstract

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Enterprise risk management (ERM) plays a vital role for companies (Ghazieh & Chebana, 2021). This study examines the impact of the board of commissioners' composition and the presence of gender diversity on ERM. Additionally, this study employed the audit committee as an intervening variable. This study uses financial companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The total number of analysis units is 115. This study applies descriptive statistics and path analysis utilising WarpPLS 7.0. The findings reveal that the board of commissioners, gender diversity, and the presence of an audit committee all exert a positive influence on ERM. Furthermore, the audit committee plays a mediating role in the relationship between board size and ERM. However, neither the board of commissioners nor gender diversity appears to significantly impact the audit committee itself. The board of commissioners affects the audit committee. However, gender diversity does not affect the audit committee. To the best of the researcher's knowledge, this is the first study that adopts a unique approach by analyzing the audit committee's role as an intermediary in the relationship between board composition, gender diversity, and ERM — a topic that remains underexplored. This research supports firms in strengthening the audit committee's role in overseeing the implementation of ERM disclosure.

Keywords: Board of Commissioners, Gender Diversity, Enterprise Risk Management, Audit Committee

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1. INTRODUCTION

Effective business management is essential for good corporate governance. Handling the company's business process problems is a major challenge in today's era (Beerepoot et al., 2023). Consequently, organizations are facing a rising imperative to implement enterprise risk management (ERM). This is clearly seen in every annual banking report, which always explains ERM. Furthermore, the emergence of various banking cases has contributed to the high implementation of risk management. In 2018, there was a case at Bank Jawa Barat Syariah where employees manipulated credit data to the point of losing IDR 548 billion (Achmad et al., 2022). Furthermore, PT Bank Bukopin Tbk (BBKP) manipulated or committed fraud against credit card data (Haikal, 2019). This condition highlights that banking is one of the industries that is highly vulnerable to handling various types of risks. Therefore, companies must implement risk management in banking companies. The implementation of risk management is a key benchmark for achieving effective corporate governance. Going deeper, the implementation of risk management must prioritize the principle of transparency so that the results contribute to business development. In addition, the existence of enterprise-wide risk management is able to maintain the sustainability of an entity (Bamber & Elezi, 2025). The increasingly uncertain business world requires companies to manage risk optimally. ERM is an integrated solution. In addition, ERM practices are widely influenced by internal oversight structures such as the board of commissioners, gender diversity, and audit committees as part of corporate governance mechanisms (Ma et al., 2024; Salin et al., 2025).

Based on agency theory, it is believed that one way to minimize information asymmetries is through the disclosure of risk. The disclosure is important for all stakeholders. Some researchers believe that good corporate governance improves good corporate governance (Hidayah et al., 2022; Saggar et al., 2021; Salin et al., 2025; Velayutham et al., 2017). Additionally, risk disclosure reduces the level of creative accounting (Erin et al., 2020).

A risk management system is important for the sustainability of the company. Good governance requires a board of commissioners and adheres to the relevant standards of gender diversity. This will have a good impact on ERM practices. Previous studies have had mixed results. Gender diversity, which is proxied by the presence of women in supervisory positions, has a more thorough image, so that it is able to suppress the company's financial risk (Akinsola et al., 2025; Khan et al., 2024; Sbai et al., 2025). Furthermore, having women on the board can increase risk disclosure. However, gender diversity does not have a significant impact on company value (Klu et al., 2025; Laurens, 2022).

An audit committee is a crucial component of effective corporate governance, making a substantial contribution to a company's overall performance. The presence of an audit committee is considered to be able to reduce the negative effects of risk and increase the quality of financial reports and company risk disclosure (Ma et al., 2024). In addition, an effective audit committee increases the company's risk disclosure (Alshirah et al., 2021).

In addition, the audit committee is able to suppress earnings management (Almarayeh, 2024). Furthermore, the audit committee is able to moderate the relationship between gender diversity and firm value (Laurens, 2022). Furthermore, gender diversity mediated by the audit committee is able to increase voluntary disclosure (Hashmi et al., 2022). This condition highlights the audit committee's crucial role in mediating various elements of corporate governance to achieve optimal company performance.

The research consists of seven questions, such as:

RQ1: How does the size of the board of commissioners have a positive effect on enterprise risk management?

RQ2: How does gender diversity have a positive effect on enterprise risk management?

RQ3: How does the audit committee mediate the effect of the size of the board of commissioners on enterprise risk management?

RQ4: How does the audit committee mediate the effect of gender diversity on enterprise risk management?

RQ5: How does the audit committee have a significant positive effect on enterprise risk management?

RQ6: How does the size of the board of commissioners have a significant positive effect on the audit committee?

RQ7: How does gender diversity have a significant positive effect on the audit committee?

The rest of this paper is structured as follows. Section 2 analyses the theoretical framework and the development of hypotheses. Section 3 outlines the research methodology. Section 4 presents the results. Section 5 outlines the discussion. Finally, Section 6 provides the conclusion.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Theoretical background

Based on agency theory, it is believed that the information gap between the owner and the agent causes a conflict of interest (Jensen & Meckling, 1976). A larger board of commissioners can enhance the oversight of risk management in a more comprehensive manner (Abdel-Azim & Soliman, 2020; Otero-González et al., 2022). Risk management is also useful in minimizing financial manipulation. In addition, the board of commissioners improves companies' performance by minimising the practice of earnings management in the company (Ratmono et al., 2025). Hence, the board of commissioners has a good impact on ERM disclosure (Evana et al., 2023). The number of commissioners determines the level of perspective and experience required to support the optimal implementation of ERM.

The more parties involved in thinking and monitoring these risks, the greater the opportunity for the company to overcome the threats that arise. However, it is necessary to consider the existing constraints within the company. Boards of commissioners in large numbers have more abundant potential resources that can provide greater opportunities to supervise the board of

directors. Borrowing from stakeholder theory, the company must meet all expectations of stakeholders (Freeman, 1984). Therefore, when the audit committee demonstrates its capacity to conduct effective oversight and supervise ERM, the company can meet the expectations of its stakeholders.

Based on social role theory believed that gender differences in behaviour exist, where women are more ethical and focus on stakeholder welfare than men (Eagly & Wood, 2012). Hence, females in corporate governance positions play a crucial role in enhancing risk management. In line with the agency theory view, it is concluded that gender diversity enhances the quality of the company's audit committee. The characteristics of women can strengthen supervision in decision-making and improve the implementation of risk management. Gender diversity has a positive impact on audit committees. Gender diversity has a positive impact on audit committees. With gender diversity, the audit committee can be more creative and innovative in finding solutions to complex problems. Diversity of thought and experience can produce new ideas and more effective approaches in the audit process. The higher level of gender diversity on the board of commissioners leads to several significant benefits for the audit committee. Gender diversity brings more diverse perspectives to discussions and decision-making, improving the quality of analysis and supervision in the audit committee. This can also trigger creativity and innovation in problem-solving and finding solutions, as different views and experiences contribute to the process. Additionally, gender diversity can enhance the company's trust and reputation among stakeholders, demonstrating a commitment to inclusion and equality. Thus, a gender-diverse audit committee tends to be more effective and responsive in carrying out its supervisory duties.

2.2. Hypotheses development

2.2.1. Board of commissioners and enterprise risk management

Based on agency theory, information asymmetry exists between the principal and agent. Therefore, a supervisory function is necessary to ensure that management behavior aligns with the interests of shareholders. A large board of commissioners can provide a diversity of perspectives and expertise, thereby strengthening oversight in risk assessment. Furthermore, a large board of commissioners can strengthen oversight mechanisms for mitigating operational and strategic risks (Viola et al., 2023). A large board of commissioners can reduce blind spots in risk management by facilitating in-depth interaction and communication among board members. Companies with a large board of commissioners are more likely to have a mature implementation of ERM (Bamber & Elezi, 2025).

H1: The size of the board of commissioners has a positive effect on enterprise risk management.

2.2.2. Gender diversity and enterprise risk management

Gender diversity in a company can bring psychological and cognitive value to the decision-making process. Gender diversity can increase prudence and focus on investor interests, as well as a high level of oversight. Cross-country meta-analyses show that the presence of women can improve the quality of governance and risk disclosure (AlJanadi, 2025; De Acutis et al., 2024). Therefore, gender diversity improves ERM systems, making them more responsive to non-financial and reputational risks. Gender diversity enhances the effectiveness of supervision and the quality of decision-making, which is crucial for effective ERM. In addition, the presence of female leaders has a positive impact on the company. One perspective believes that women act as a glass ceiling, providing a better impression in company management (Teodósio et al., 2021). Gender diversity in companies can have a positive impact on risk disclosure (Abou-El-Sood, 2019; Saggari et al., 2021). Therefore, the company becomes more responsive in detecting and managing long-term risks.

H2: Gender diversity has a positive effect on enterprise risk management.

2.2.3. Audit committee as intervening on the board of commissioners and enterprise risk management

Under the umbrella of corporate governance, the audit committee is fundamental, particularly for monitoring risks. Evidence from previous research suggests that the audit committee's involvement in organizational oversight is directly linked to the successful deployment of optimal risk management in enterprises (Pérez-Cornejo et al., 2019). In addition, the audit committee may also serve as an intermediary in the relationship between board size and gender balance, influencing approaches to enterprise risk governance. The board of commissioners has a good impact on risk management disclosure. The study highlights the implications of ERM, which can help identify potential events caused by natural disasters and their negative impacts on the company. Therefore, the audit committee becomes a mediator that connects the board of commissioners and more effective ERM disclosure.

H3: The audit committee mediates the effect of the size of the board of commissioners on enterprise risk management.

2.2.4. Audit committee as intervening on gender diversity and enterprise risk management

Gender diversity has the potential to influence variations in judgment, perspectives, and approach in firms. In short, the presence of female gender roles and diversity in the board of commissioners, as well as gender diversity, enhances managerial supervision and independence. The presence of female gender diversity on the board of commissioners has a significant impact on the quality and scope of financial risk information disclosure. Furthermore, a high level of diversity has

a significant impact on the disclosure of ERM (Yarram & Adapa, 2022). Based on social role theory, females are often perceived as possessing a sensitive nature and can offer mature views when providing advice on company management decision-making (Eagly & Wood, 2012). Gender diversity in the corporate environment has a psychological strength that is considered stronger. The presence of women on the board of directors can have a positive impact on strategic decision-making, especially regarding the disclosure of risk information. This is because women tend to be more cautious in high-risk activities. However, gender diversity does not necessarily impact ERM. This situation is believed to be mediated by the audit committee. The audit committee, which holds a supervisory role, is able to bridge the high demands for precision placed on women in their work, particularly in risk management. Therefore, the audit committee mediates the relationship between gender diversity and ERM.

H4: Audit committee mediates the effect of gender diversity on enterprise risk management.

2.2.5. Audit committee and enterprise risk management

Agency theory believes that the audit committee focuses on bridging the gap between all stakeholders. Therefore, the audit committee needs high integrity to finish its duties with a high level of transparency, discipline, and accountability. These characteristics are generally considered more common in women than in men. Women tend to be cautious or risk-averse, while men tend to be risk-taking (Hamididin & El Keshky, 2023). Gender diversity in the audit committee can enhance its performance, particularly when there is representation from both genders rather than just one. A female audit committee in a large company will demonstrate a higher level of caution due to the various types of transactions in the company. A well-functioning audit committee enhances the quality and impact of ERM efforts (Evana et al., 2023; Kristanti et al., 2024). This aligns with the findings of other studies, which indicate that the performance of the audit committee plays a constructive role in ERM (Iskandar et al., 2018). The audit committee is an important corporate governance mechanism for the company. Effective audit committee performance can provide assurance of a company's sustainability and the fulfillment of its shareholders' interests.

H5: Audit committee has a significant positive effect on enterprise risk management.

2.2.6. Board of commissioners and audit committee

There is a conflict of interest between agent and principal, like the agency theory explanation (Jensen

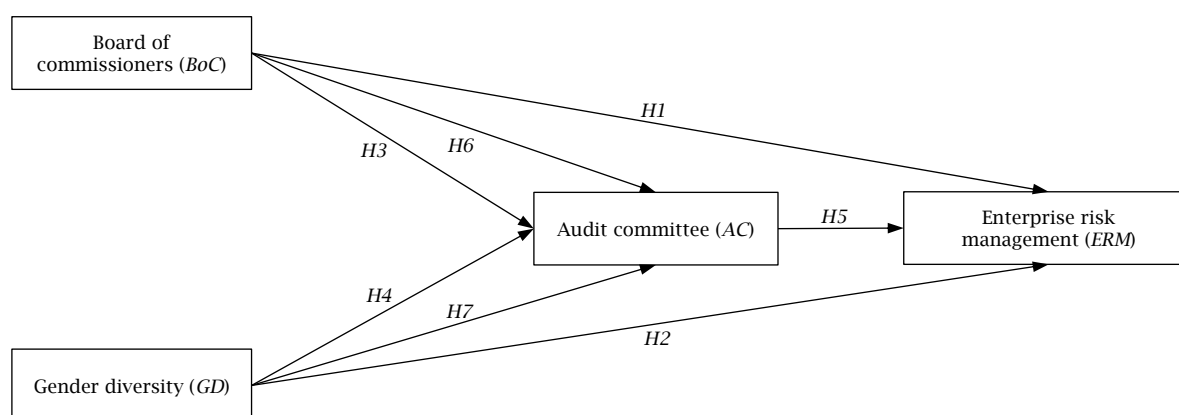
& Meckling, 1976). The board of commissioners is tasked with controlling and providing direction to the board of directors in order to achieve company performance. A board of commissioners with a large number of members will cause a lengthy decision-making process. Meanwhile, a board of commissioners that is too small will likely lead to a decrease in its effectiveness. Therefore, to prevent an imbalance, another division is formed to assist the board of commissioners in carrying out its duties effectively. One of the committees tasked with assisting the board of commissioners in its performance is the audit committee. Furthermore, the agency theory perspective suggests that the board of commissioners is recognized as the highest level of internal control. The high number of board of commissioners will provide a diversity of expertise and experience that can affect performance. One of them is in implementing the task of selecting competent audit committee members. Additionally, it facilitates a more effective distribution of tasks and enhances the independence of the audit committee, thereby reducing conflicts of interest and ensuring objectivity. Therefore, this condition is considered capable of enhancing the coordination and efficiency of financial supervision through the accuracy of the audit committee's selection. Previous research suggests that board size has an effect on committee characteristics (Viola et al., 2023). Hence, the number of commissioners has an impact on the audit committee.

H6: The size of the board of commissioners has a significant positive effect on the audit committee.

2.2.7. Gender diversity and audit committee

Gender diversity makes a positive contribution to the company by providing equal perspectives from both women and men for important positions, regardless of gender differences. In addition, the presence of women is also considered to reflect careful behavior, which is often associated with a greater capacity to reduce risk, as it tends to adhere to stricter standards. In the framework of agency theory, asymmetry information in the company is the result of differences in information between management and agents (Jensen & Meckling, 1976). Women are considered to be able to provide broader advice from a more comprehensive perspective to the board of commissioners when making any decision. Previous research suggests that audit committees with gender diversity can improve reporting quality (Davis & Garcia-Cestona, 2023; Ud Din et al., 2021). Hence, gender diversity has a positive effect on the audit committee.

H7: Gender diversity has a significant positive effect on the audit committee.

Figure 1. Theoretical framework

Source: Authors' elaboration.

3. RESEARCH METHODOLOGY

This study uses banking companies as the research population. The banking sector was chosen because this sector provides a more equal perspective on gender compared to other business sectors (Fathoni et al., 2025). Furthermore, this sector plays a crucial role in promoting ERM within the framework of good corporate governance.

This study uses the financial sector as the population. The sampling technique employed is

a purposive sampling method, as the company is a banking institution that possesses comprehensive data related to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and research. The banking sector presents complete financial reports and annual reports for the period from 2018 to 2022. Finally, the sample of companies is 23 companies, with five years of observation, so there are 115 analysis units.

Table 1. Sample criteria

| No. | Criteria | Amount | Accumulation |
|---|---|--------|--------------|
| 1 | Financial sector companies listed on the Indonesia Stock Exchange (IDX) in the 2018–2022 period | 47 | 47 |
| 2 | Financial sector companies that do not have complete data about COSO implementation | 24 | 23 |
| Number of sample companies (<i>i</i>) | | | 23 |
| Number of observations ($t \times i = 5 \times 23$) | | | 115 |

Source: Authors' elaboration.

This research uses ERM as the dependent variable. For the independent variables, this research utilizes the board of commissioners (*BoC*) and gender diversity (*GD*). Additionally, this research utilizes the audit committee (*AC*) as an intervening variable. A previous study measured ERM implementation using a dummy variable, where a score of 1 was given for a company that discloses ERM and 0 otherwise (Beasley et al., 2005; Florio & Leoni, 2017). However, this measurement lacks sensitivity because it does not reflect the extent or quality of ERM disclosure. Therefore, this research applied ERM measurement with 17 criteria based on the COSO ERM framework (KPMG, 2013), which includes five components: 1) control environment; 2) risk assessment; 3) control activities; 4) information and communication; 5) monitoring. Additionally, each ERM item is assigned a value of 1, and a value

of 0 if it is not disclosed. Each item will be added to obtain the overall ERM index for each company, calculated by summing the number of distributions and dividing by the total of 17 items. For *GD*, measured using the dummy variable, which has a value of 1 if there are women and a value of 0 if all the board members are men (Abou-El-Sood, 2019). Hence, this research follows this measurement. For the *BoC*, this research uses the overall number of the board of commissioners, following previous research (Abdel-Azim & Soliman, 2020). Finally, the *AC* is measured by the total number of audit committees within the company (Zadeh et al., 2023). This study employs descriptive statistics and inferential statistical analysis, utilizing the partial least squares structural equation modelling (PLS-SEM) technique for structural equation modeling. Data analysis was applied to the Warp PLS 7.0 software.

Table 2. Operational variables

| Variable | Definition | Proxy | Scale | Source |
|----------------------------------|---|---|-------|--------------------------|
| Enterprise risk management (ERM) | ERM is a company risk management strategy, including risk identification and mitigation. | (The total items disclosed / The item that should have been disclosed) × 100 | Ratio | Rahmawati et al. (2024) |
| Board of commissioners (BoC) | The number of members on the board of commissioners tasked with overseeing the implementation of good corporate governance. | The overall number of the board of commissioners. | Ratio | Rahmawati et al. (2024). |
| Gender diversity (GD) | Gender diversity refers to the variation in gender identity, aiming to increase the number of women on the company's board. | Gender diversity is calculated using a dummy variable, where 1 indicates the presence of women on the board of commissioners, and 0 indicates that all the commissioners are men. | Ratio | Abou-El-Sood (2019). |
| Audit committee (AC) | The committee is responsible for overseeing the implementation of managerial functions. | Total number of audit committees. | Ratio | Zadeh et al. (2023) |

Source: Authors' elaboration.

4. RESULTS

The descriptive analysis presents the average values for *ERM*, *BoC*, *GD*, and *AC*, which are 0.90, 5.13, 0.64, and 4.07, respectively. The average value of all variables goes beyond the expected standard deviation range. Hence, the data deviation is relatively small, resulting in a homogeneous distribution of the variable data.

Table 3. Descriptive statistical analysis

| Variable | N | Min | Max | Mean | Std. dev. |
|----------|-----|------|-------|------|-----------|
| ERM | 115 | 0.76 | 1.00 | 0.90 | 0.08 |
| BoC | 115 | 2.00 | 10.00 | 5.13 | 2.36 |
| GD | 115 | 0.00 | 1.00 | 0.64 | 0.48 |
| AC | 115 | 3.00 | 8.00 | 4.07 | 1.26 |

Source: Authors' elaboration.

Table 2 shows that the maximum score for *ERM* is 1. This condition is owned by the company PT Bank Maybank Indonesia Tbk (BNII), PT Bank MNC Internasional Tbk. (BABP), PT Bank Rakyat Indonesia Tbk. (BRI), Banka Ina Perdana Tbk. (BINA), PT Bank Bumi Artha Tbk. (BNBA), PT Bank CIMB Niaga Tbk. (BNGA). This condition shows that the implementation of *ERM* in these banks has been adequate.

Furthermore, the average value for the audit committee is three people. This condition indicates that the banking conditions in Indonesia have largely met the standards set by the Indonesian government regarding the audit committee. For the board of commissioners, the maximum number of members is 10, which shows an adequate level for a corporate mechanism. However, there is a bank that does not have a female on its board. It shows that the banking company does not yet realize the importance of women on the board.

Table 4. The result of the validity test

| Explanation | Result |
|---|---|
| Convergent validity | All of variables have p-value < 0; loading value > 0.7 |
| Discriminant validity | All of the construct variables have a loading value > 1.000 |
| Composite reliability (CR) | All of the variables have cr value = 1.00 |
| Goodness of fit | APC = 0.327 (p-value < 0.001); RAS = 0.470 (p-values < 0.001); ACIF = 1.200 |
| R-squared (<i>BoC</i> → <i>AC</i> ; <i>GD</i> → <i>AC</i> and <i>BoC</i> → <i>AC</i> → <i>ERM</i> ; <i>GD</i> → <i>AC</i> → <i>ERM</i>) | 0.482 and 0.459 |

Note: APC — average path coefficient, RAS — reliability and validity statistics, ACIF — average full collinearity inflation factor.

Source: Authors' elaboration.

The results above demonstrate that convergent validity is met, and the measure is valid for the variables. For discriminant validity and reliability, have been met. The model fit test indicates that this model is suitable for use with research data, as evidenced by the following results: APC value = 0.327, p-value < 0.001; RAS = 0.470, p-value < 0.001; and ACIF = 1.200. The R-squared value on the audit committee is 0.482. This indicates that the independent variables can explain 48.2% of the variation in the audit committee variable. Then, the proportion of the board of commissioners, gender diversity, and the intervening variable of the audit committee are able to explain *ERM* by 45.9%.

The findings from the path analysis reveal that:

1) The analysis indicates that the size of the board has a significantly positive impact on *ERM*, thereby supporting *H1*.

2) The findings demonstrate that gender diversity exerts a significant positive influence on *ERM*, thus *H2* is supported.

3) The results suggest that the relationship between the size of the board and *ERM* is partially mediated by the audit committee. In addition, with a variance accounted for (VAF) valued between 20% and 80%, the mediation is considered partial, leading to the acceptance of *H3*.

4) The mediation effect of the audit committee on the link between gender diversity and *ERM* is confirmed. Given that the VAF value is below 20%, it reflects a partial mediation, and, therefore, *H4* is accepted.

5) It proves that the audit committee significantly and positively affects *ERM*, which validates *H5*.

6) The test results reveal that the board size positively influences the audit committee, and this relationship is statistically significant. Hence, *H6* is accepted.

7) Lastly, the analysis does not reveal a meaningful connection between the audit committee and risk management, resulting in the rejection of *H7*.

Table 5. Path analysis results

| Path | Q | p-value | Explanation |
|----------------|--------|---------|-------------------|
| BoC → AC | 0.696 | < 0.001 | Accepted |
| GD → AC | -0.010 | 0.159 | Rejected |
| BoC → ERM | 0.273 | 0.001 | Accepted |
| GD → ERM | 0.450 | < 0.001 | Accepted |
| BoC → AC → ERM | 0.415 | < 0.001 | Partial mediation |
| GD → AC → ERM | 0.448 | < 0.001 | Partial mediation |
| AC → ERM | 0.204 | 0.012 | Accepted |

Source: Authors' elaboration.

5. DISCUSSION

5.1. The effect of the board of commissioners and enterprise risk management

The size of the board of commissioners has a positive impact on the effectiveness of risk management. This condition aligns with agency theory, where management serves as an agent and requires supervision from the investor through the board of commissioners. This result is also in line with prior studies that a larger board is significantly associated with greater ERM disclosure (Karyani et al., 2021). A more extensive board structure enhances the organization's ability to monitor and disclose risk-related practices. The proportion of commissioners influences the effectiveness of oversight in implementing ERM strategies. With more members on the board of commissioners, there is potential for diversification of knowledge, experience, and understanding of any condition. The board of commissioners focuses on managing risks better. Additionally, the board of commissioners can enhance transparency in reporting risk management practices to stakeholders. This condition enables the achievement of better corporate governance. Corporate governance with proportionality is a primary need for every company (Hidayah et al., 2025). Hence, all companies should encourage their corporate governance.

5.2. The effect of gender diversity on enterprise risk management

Gender diversity improves ERM disclosure. A significant level of ERM disclosure. Gender diversity can accelerate the process of risk-taking and ERM disclosure. The role of gender diversity has a positive impact on company value (Hidayah et al., 2025). Furthermore, based on social role theory, it is argued that females are more conscientious than men (Eagly & Wood, 2012). Women have various unique perspectives that are useful in decision-making. The decision options considered become more diverse, thus driving company performance. Furthermore, the presence of women shows a positive image to the public. This condition also improves firm credibility. Diversity factors, including experience, background, and gender, play a significant role in corporate governance, particularly in the context of ERM disclosure. Women often bring unique and different perspectives on the risks associated with finance and management, which can help identify areas that

require more critical consideration. Additionally, gender diversity can foster an environment where all members feel more valued and supported in expressing their opinions, ultimately enhancing the quality of discussions and decision-making. Women place greater emphasis on the importance of the company's compliance with accounting regulations and standards. Women can ensure that management practices are carried out responsibly and sustainably on a consistent basis.

5.3. The audit committee as a mediation for the board of commissioners and enterprise risk management

The audit committee mediates the effect between the board of commissioners and ERM. The audit committee partially mediates the relationship between the size of the board of commissioners and the effectiveness of ERM. The mediation role that occurs falls into the category of partial mediation. The value of VAF ranges from 20% to 80%, indicating a partial mediation role. Therefore, the audit committee partially mediates the relationship between the size of the board of commissioners and the effectiveness of ERM. The audit committee focuses on monitoring the process of preparing the company's financial statements, internal audits, and compliance with laws and regulations. The job of the audit committee is in line with agency theory that argues the audit committee becomes a bridge between the principal and the agent (Jensen & Meckling, 1976). The audit committee plays a crucial role in maintaining good corporate governance (Suryandari et al., 2024). Therefore, the existence of an audit committee can partially mediate the relationship between the board of commissioners and ERM.

5.4. Mediation role of the audit committee in the relationship between gender diversity and enterprise risk management

This paper demonstrates that the audit committee's mediation is ineffective in mitigating the impact of gender diversity and ERM. The mediation role that occurs falls into the category of partial mediation. Because the value of VAF is below 20%, which means that the influence has almost no mediation effect or mediation is not supported, thus, *H4* is rejected. The audit committee is unable to mediate the relationship between gender diversity and ERM. This is because gender diversity can influence ERM without requiring involvement from the audit committee. The presence or absence of an audit committee does not affect the relationship between gender diversity and ERM. Gender diversity enriches the disclosure of corporate risk because the implementation of ERM is based on the tone from the top (Wiedemann et al., 2024). If the top management is committed to ERM, then all parties in the company will implement ERM as well.

5.5. The effect of the audit committee on enterprise risk management

This study demonstrates that audit committees have a positive impact on ERM. This condition is the same as stakeholder theory, to focuses on stakeholder

interest (Freeman, 1984). An effective audit committee is one way for a company to fulfill the needs of its stakeholders. ERM disclosures tend to improve with the active involvement of the audit committee. The audit committee can enhance the disclosure of ERM. In addition, this result supports the agency theory, which posits that asymmetric information necessitates control from other parties, such as the audit committee (Jensen & Meckling, 1976). The result aligns with previous research indicating that the audit committee enhances ERM (Evana et al., 2023; Kristanti et al., 2024). The establishment of an audit committee supports improved management of enterprise risks. The audit committee supports effective ERM implementation. Based on agency theory, information asymmetry can increase the conflict of interest (Jensen & Meckling, 1976). This condition can be overcome by establishing an audit committee that meets specific criteria. The audit committee serves as a key mechanism for implementing effective governance, particularly in the internal structure and supervision of risk management implementation. The existence of discussions and exchanges of opinions among audit committee members can have a positive impact on the effectiveness of ERM disclosure. Therefore, more than one audit committee member is needed so they can exchange views and information. This exchange of information will deepen their understanding of the company's challenges. The proportion of the number of audit committees determines the level of ERM disclosure.

5.6. The board of commissioners in supporting the audit committee's performance

The board of commissioners has been proven to have a positive impact on the audit committee. The high number of board commissioners has the potential to improve the quality of the audit committee by increasing its capacity for supervision and independence. By increasing the number of the board of commissioners, supervision and decision-making in the company can be improved, allowing for a variety of expertise, experience, and perspectives in the formation of the audit committee. This concept aligns with agency theory, which suggests that a larger board size facilitates a more effective distribution of tasks and enhances the audit committee's independence, thereby avoiding conflicts of interest and ensuring objectivity. The board of commissioners contributes to the company's transparent, ethical, and regulatory conditions. In addition, the board of commissioners has more consideration in determining the company's business strategy (Herusetya & Suryadinata, 2022). The large size of the board of commissioners can also affect the dynamics of decision-making in the audit committee. More board members usually mean more discussion and debate before a decision is made. Furthermore, the presence of women on the board of commissioners can improve the quality of

decisions taken (Ermawati & Soewarno, 2024). This process can enhance supervision and ensure that decisions are made based on sound thinking and comprehensive information. In this case, the audit committee works more optimally to review financial reports and internal audit processes, which helps reduce the risk of errors or fraud.

5.7. The effect of gender diversity on the audit committee

Gender diversity failed to provide a good perspective for the audit committee. The formation of the audit committee with women is more focused on expertise in financial accounting. Gender diversity can bring various benefits to decision-making and the effectiveness of corporate supervision. This gender diversity can improve transparency and performance in an organisation (Galletta et al., 2022). Hence, this research is consistent with previous research that there is no association between gender diversity on the audit committee (Chijoke-Mgbame et al., 2020). Women are more likely to ask critical questions and demand more detailed explanations regarding financial statements and management practices. The role of the audit committee is distinct from that of the board. Hence, even if the number of gender diverse individuals is large, it cannot have any impact on the audit committee. In other words, the effectiveness of the audit committee does not depend on gender diversity.

6. CONCLUSION

This study suggests that the board of commissioners, gender diversity, and the audit committee enhance the implementation of ERM. This means that the more boards of commissioners a company has, the better level of ERM it carries out. The gender diversity of women on a board of commissioners can affect the level of quality and breadth of risk information. The audit committee variable, which acts as an intervening or mediating variable, is only able to partially mediate the effect of the board of commissioner size variable on ERM. Furthermore, the size of the board of commissioners has an effect on the audit committee. Gender diversity failed to improve the audit committee's effectiveness. This study has limitations in its research sample, which focuses solely on a single country. Furthermore, since this study utilizes annual reports from the companies, it implies that the companies themselves self-report, which may introduce bias. Further research is expected to focus on cross-country and use longitudinal data or verified third-party assessments to gain a deeper understanding. Furthermore, additional research can incorporate other variables, such as national culture, to enhance ERM disclosure. This study provides suggestions for banking companies to further improve and stabilise ERM in accordance with the updated regulation.

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