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THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) PERFORMANCE: EVIDENCE FROM ASEAN

ABSTRACT

This study investigates the influence of audit committee characteristics on environmental, social, and governance (ESG). This research focuses on countries that are members of the five Southeast Asian countries or ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore and Thailand) for 2018-2023 before, during and after the COVID-19 pandemic. Data were collected via Refinitiv Eikon datastream, and then a purposive sampling method were used to select for this research. 139 sample companies have been selected, or 834 data points for the 2018-2023 period. The data were analyzed using panel data regression techniques with via STATA 17 software. This research has shown that audit committee independence has a significant positive effect on ESG, suggesting that independent oversight enhances a firm's commitment to sustainable and ethical practices. In contrast, audit committee expertise does not have a significant effect on ESG, and audit committee tenure does not significantly influence. These results imply that while independence plays a critical role in driving ESG outcomes, the technical expertise and duration of service of audit committee members may not be sufficient indicators of effective ESG oversight within the ASEAN-5 context. The implications of these findings are twofold. First, they underscore the importance for firms and regulators in Southeast Asia to strengthen governance mechanisms by prioritizing the independence of audit committees as a key driver of non-financial performance. Second, the study advocates for the development of regulatory frameworks that emphasize the auditing of non-financial disclosures, particularly ESG metrics, to promote investor confidence and sustainable investment practices. As ESG concerns gain prominence globally, enhancing audit committee structures may prove essential for aligning corporate governance with sustainability goals in emerging markets.

Keywords: audit committee independence, audit committee expertise, audit committee tenure, ASEAN-5, ESG, Covid-19, Refinitiv Eikon

JEL Classification: G34, M42, Q56

INTRODUCTION

Businesses today focus on environmental, social, and governance (ESG) factors. This topic has been discussed for the past few years and has become crucial during the Corona Virus Disease-2019 (COVID-19) pandemic. The COVID-19 pandemic has changed the existing financial and non-financial reporting systems. In this condition, investors are more interested in sustainability investments and demand companies to be active in their sustainability Performance. According to Suriyankietkaew and Nimsai (2021), in a crisis situation, such as COVID-19, it is important for companies to open the mind that companies must make sustainable choices in making important decisions for their organization. In this context, companies are expected to actively do everything possible to improve their business model to meet stakeholders' desires sustainably.

This phenomenon impacts countries in the Southeast Asia (ASEAN) region. Even though this region has quite dynamic economic diversity, it presents opportunities for investment growth. This area experienced a decline in financial performance. Market conditions during the COVID-19 crisis were very uncertain in this region. However, according

to Khodijah et al. (2024), during the COVID-19 era, the ASEAN region experienced an increase in ESG Performance. This illustrates that the ASEAN region is ready for sustainable investment growth, especially ESG.

However, despite the increase in ESG performance in the ASEAN region, there is still uncertainty regarding accountability for non-financial performance reporting. This is proven by the fact that ESG reporting practices are still voluntary. The Asian Development Bank report (2020) said that companies in ASEAN still have little involvement in monitoring instruments in sustainability practices such as ESG. This condition raises concerns regarding the quality and objectivity of ESG reporting, so control or supervision is needed for ESG reporting.

These limitations encourage companies in the ASEAN region to maximize supervision and control ESG reporting to comply with regulations. Supervision and control are strongly related to the audit committee (AC). According to Appuhami and Tashakor (2017), AC can efficiently balance the objectivity that occurs between managers and stakeholders in the context of monitoring ESG reporting. In line with this, Karamanou and Vafeas (2005) agree that AC is a system that can control and monitor the mechanisms of a company's financial and non-financial reporting practices.

LITERATURE REVIEW

Implementing ESG reporting requires a strong system. This requires good internal company control to improve ESG reporting quality without sacrificing objectivity and shareholder interests. Without strong controls, managers will present inaccurate information to stakeholders. According to agency theory, there is an information asymmetry in the interactions among shareholders and managers. However, managers often use the company's financial and non-financial reporting for their own interests, including sustainability reporting such as ESG. In line with that, Broadstock et al. (2019) highlight the agency problem in ESG disclosure, stating that managers often use sustainability reporting for their own interests. Jensen and Meckling (1976) say that managers act as representatives whom shareholders trust. Therefore, a monitoring system mechanism is needed to ensure managers continue to carry out shareholder trust and reduce opportunistic behaviour.

This system is AC, which is an instrument tasked with controlling and supervising manager activities. One aspect of AC is providing protection and guarantees to investors (DeZoort et al., 2002). According to Buallay and Al-Ajmi (2020), AC is crucial in assisting directors in ensuring that users of financial reports have access to information that is accurate, relevant, timely, and sufficient to make informed investment decisions. According to Bacha et al. (2021), AC acts as an effective monitoring mechanism to supervise managers' actions and ensure the quality of financial reporting. In line with this explanation, Pozzoli et al. (2022) said that external and internal audits play a role in reducing information asymmetry and protecting stakeholders' interests by ensuring that financial reports are free from material misstatement, bias, or fraud. According to Safari (2017), a prior study reveals that Internal and external controls lower the possibility of managers giving shareholders false information. Thus, AC can be very important in providing reliable information to shareholders.

There is still limited investigation into the impact of AC on sustainability issues, as Dwekat et al. (2020) explain how AC influences CSR disclosure. And Pozzoli et al. (2022) explain the influence of AC on ESG in countries that are members of the European Union (EU) and Albitar et al. (2023) and Lavin and Montecinos-Pearce (2021) analysis of board characteristics from a governance and ESG behavior perspective. Several studies have investigated the relationship between AC and CSR (Dwekat et al., 2020) and the quality of integrated reporting (Raimo et al., 2021). This explanation illustrates that there is still little research examining AC on ESG, and there has also been little research on ESG themes during the pandemic. Limited research has been conducted on the impact of AC characteristics on ESG in the context of both the COVID-19 pandemic and the preceding period such as (Pozzoli et al., 2022). However, other research explains the influence of the Covid-19 pandemic before, during, and after the pandemic (Sachin and Rajesh, 2022). From this perspective, other research has not looked at aspects of the influence of AC characteristics on ESG scores in developing country companies.

In this research, the author focuses on countries that are members of the ASEAN region. This area has quite good economic diversity for environmental business investment. Different from previous research, which only focused on European countries (Paolone et al., 2023; Pozzoli et al., 2022; Zahid et al., 2022) and focused on one country object on the topic of ESG, such as Karim et al. (2024) from Bangladesh; Suttipun & Dechthanabodin (2022) from Thailand; and Wong (2024) from Malaysia. In the same case, the authors provide development regarding the importance of AC in influencing and contributing to monitoring the sustainability process (Bravo and Reguera-Alvarado, 2019, and Jain et al., 2015). This research uses ESG score proxies and AC characteristics developed by (Dwekat et al., 2020 and Pozzoli et al., 2022). However, it adapts to the conditions of the ASEAN region. Finally, this research uses developments in the influence of AC on sustainability before, during, and after the occurrence of COVID-19 in the ASEAN countries.

Hypothesis development

Independence is very important for AC; their opinion about the company's financial reports is very important information for stakeholders who depend on financial report information. According to Pozzoli et al. (2022), Independence emerges from addressing information asymmetry and a dispute between management and stakeholders. Emphasis Bronson et al. (2009) assert that independence is a fundamental principle of audit committees in overseeing and monitoring. As a result, we can see that AC independence is crucial for making a beneficial impact on financial report preparation (Baxter and Cotter, 2009). Therefore, AC can reduce agency costs for financial report information created by managers.

Based on this, AC's role here is expected to positively impact corporate governance in the context of reporting and audit processes. Previous literature, Dewata et al. (2016), Farooq et al. (2018), Raimo et al. (2021), and Zgarni et al. (2016) show that AC can improve the quality and reliability of financial reports and support decision making that is in line with shareholder interests. According to Al-Shaer and Zaman (2018), AC Independence collaborates with Big Four audit companies to focus on sustainability assurance. Research by Buallay and Al-Ajmi (2020) and Hussain et al. (2018) makes it clear that AC independence positively influences ESG. In general, AC during a crisis such as COVID-19 can positively influence ESG (Broadstock et al., 2021; Pozzoli et al., 2022). Even though many studies show a positive influence, some studies say AC does not affect sustainability (Li et al., 2012). Some also negatively influence sustainability disclosure (Haniffa and Cooke, 2005; Mallin et al., 2013).

H1: AC independence is significantly positively influenced by the ESG score

According to Buallay and Al-Ajmi (2020), agency theory reveals that companies with members who have financial expertise in the organizational structure can improve the control system and risk management. Pozzoli et al. (2022) state that agency theory implies that AC's opinion represents the opinion of directors and auditors, which is very competent for investors. According to Persons (2005) AC expertise can reduce the occurrence of fraudulent acts. Previous research shows that AC expertise has a positive influence on financial and non-financial reporting (Kent et al., 2010) and is also able to improve CSR effectively (Shaukat et al., 2016) and Environment Social Governance (Pozzoli et al., 2022). The contradictory research of Appuhami and Tashakor (2017) and Buallay and Al-Ajmi (2020) and Othman et al. (2014) agree that AC expertise has no relationship or even tends to be negative on sustainability disclosure. Although previous research still does not agree regarding AC's leadership on this issue, agency theory emphasizes that AC's authority can provide good benefits for sustainability.

H2: AC expertise is significantly positively influenced by ESG scores

According to the agency theory perspective, long tenure reduces information asymmetry due to the frequency and speed of information between the board and managers (Rutherford & Buchholtz, 2007). In previous research, tenure such as AC (Bravo and Reguera-Alvarado, 2019), CEO (Chen et al., 2019) and board (Cucari et al., 2018) had a positive impact on sustainability disclosure. However, in a contradictory way, tenure has a negative influence (Pozzoli et al., 2022). Although there is research disagreement regarding the tenure of office, especially AC, this is seen from the agency theory perspective: when AC's tenure is longer, AC can still effectively supervise company activities (Othman et al., 2014).

H3: AC tenure is significantly positively influenced by ESG scores

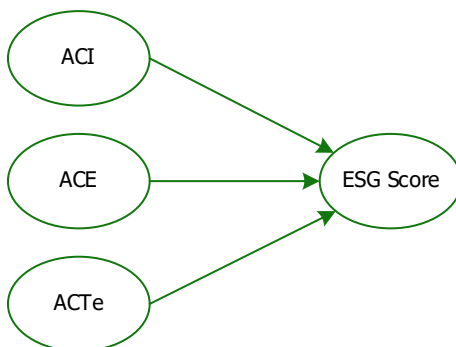


Figure 1. Theoretical framework.

AIMS AND OBJECTIVES

The main objective of this study is to examine the effect of audit committee characteristics on environmental, social, and governance practices in ASEAN countries across three periods: before, during, and after the COVID-19 outbreak. Specifically, it explores how aspects such as independence, expertise, and tenure influence ESG performance.

METHODS

This research investigates companies listed on five stock exchanges in ASEAN countries, namely Indonesia, Thailand, the Philippines, Malaysia and Singapore. These five countries are called ASEAN-5 and are the countries with the main markets within the ASEAN region (Lerskullawat & Ungphakorn, 2024). This research uses company data from ASEAN-5 from 2018-2023. Data is taken using several criteria, including: ASEAN-5 listing companies, ASEAN-5 companies that disclose ESG, ASEAN-5 companies covering research data (AC independence, AC expertise, AC tenure), and Companies that are not in the financial sector.

From these criteria, a total of 139 company samples or 834 observation data from 2018-2023 (before, during and after the Covid-19 pandemic). We adopted the ESG measurement proxy as the dependent variable from (Pozzoli et al., 2022) with the measurement of 10 main themes (emissions, environmental product innovation, human rights, shareholders, etc). The metric for assessing AC independence is the proportion of independent auditors. The AC expertise proxy uses a measurement value of 1 if the company has experience in finance and 0 otherwise. AC tenure is the length of time he has served on the audit committee at the company. We also use control variables such as board gender diversity proxy uses a measurement percentage of women director at the company, Inflation and Gross Domestic Product sourced from the World Bank. The research data was taken from the Refinitiv Eikon database. The use of the Refinitiv Eikon database has several relevant reasons. According to Pozzoli et al. (2022) the reasons are as follows: First, this database uses ESG scores and combined ESG scores. Secondly, these scores consider different markets for each country, and thirdly, the ESG scores have a value range of 0 to 100, allowing for a minimum level of variability. Variables, definition, and codes can be seen in Table 1.

Table 1. Variable Code Model. (Source: adapted from Pozzoli et al. (2022); Refinitiv Eikon; World Bank database)

Variable	Definition	Code
Environment, Social, Governance	It measurement of 10 main themes (emissions, environmental product innovation, human rights, shareholders, etc) based on publicly reported data	ESGscore
AC independence	It measurement percentage independent member on audit committee member	ACI
AC expertise	It measurement 1 if company has finance on audit committee and 0 otherwis	ACE
AC tenure	The average tenure of the current audit committee with the company	ACTe
Board Gender Diversity (Control Variable)	The percentage of women directors in the company	BGD
Inflation (Control Variable)	calculated by changes in the Consumer Price Index (CPI)	Inflation
Gross Domestic Product (Control Variable)	The metric employed to assess a country is its development percentage divided by its population.	GDP

This research uses STATA 17 software, which uses panel data for this type of research. This research model uses the standard Driscoll and Kraay nonparametric covariance matrix by Hoehle (2007) developed for panel data analysis. The panel data regression model used to analyze the data is stated as follows:

$$ESGscore_i = \beta_0 + \beta_1 ACI_i + \beta_2 ACE_i + \beta_3 ACTe_i + \beta_4 BGD_i + \beta_5 Inflation_i + \beta_6 GDP_i + \epsilon_i$$

where *ESGscore* = the measurement of 10 main themes. $\beta_1 \dots \beta_6$ are the independent variables. *ACI* = percentage of independent auditors; *ACE* = 1 if the company has experience in finance and 0 otherwise; *ACTe* = the length of time he has served on the audit committee at the company; *BGD* = percentage of women director at the company; *inflation* = uses data from World Bank; *GDP* = uses data from World Bank.

RESULTS

In this investigation, the factors that were used are summarized in Table 2. With a minimum value of 3.88 and a maximum value of 90.24, the maximum value of ESG performance is 90.24, and the mean value of ESG performance is 46.177. The standard deviation is 20.017. The fact that there is such a wide range of ESG performance demonstrates that there is a lot of variety. The audit committee independence (ACI) demonstrates a mean value of 84.417 and a standard deviation of 23.791, with values ranging from 0 to 100. It demonstrates that there are certain businesses that have a pretty high level of independence, despite the fact that there are still businesses that do not have members who are autonomous. In terms of audit committee expertise (ACE), the mean value is 0.676, the standard deviation is 0.468, and the range of values is from 0 to 1. The minimum value is 0 and the maximum value is 1. With a mean value of 0.676, which is equivalent to 68%, it demonstrates that the organizations in our sample possess relevant competence. A mean value of 7.842 and a standard deviation value of 6.314 are displayed for audit committee tenure (ACTe), with a minimum value of 1 and a maximum value of 26. There are some businesses that have a relatively high degree of tenure, as demonstrated here.

Table 2. Summary Statistics. (Source: results of data analysis with STATA)

Variable	Mean	Std. dev.	Min	Max
ESG	46.177	20.017	3.88	90.24
ACI	84.417	23.791	0	100
ACE	0.676	0.468	0	1
ACTe	7.842	6.314	1	26
BGD	11.655	11.385	0	50
Inflation	2.378	2.004	-1.138	6.121
GDP	2.880	4.177	-9.518	9.690

The value for control variables such as board gender diversity (BGD) shows a mean value of 11.655, with a standard deviation value of 11.385, and a range of values ranging from 0 to 50. This shows that the presence of female directors on company boards in this research sample is still low. On the other hand, the average Inflation value is 2.378, with a standard deviation value of 2.004 and an observation value of -1.14 to 6.12. GDP has an average value of 2.880 with a standard deviation value of 4.177. This value shows that companies in the ASEAN region have relatively good economic diversity.

Based on Table 3, the correlation matrix results show a lower than 0.9. This suggests that there is no significant correlation issue among the explanatory variables in this model.

Table 3. Correlation Matrix. (Source: results of data analysis with STATA)

Variable	ESG	ACI	ACE	ACTe	BGD	Inflation	GDP
ESG	1.0						
ACI	0.175	1.0					
ACE	0.155	0.042	1.0				
ACTe	-0.123	-0.127	0.244	1.0			
BGD	0.075	0.212	0.206	0.027	1.0		
Inflation	-0.2	-0.264	-0.213	-0.078	-0.241	1.0	
GDP	0.093	-0.079	-0.045	-0.063	-0.028	0.491	1.0

Meanwhile, the multicollinearity test was used in this study. The multicollinearity test aims to determine whether the independent and dependent variables have a high linear relationship (collinearity). The criterion for the Variance Inflation Factor (VIF) in this test is set at a value of less than 10 to avoid multicollinearity. Table 4 presents a VIF value that is below 10. This suggests the absence of multicollinearity among all variables.

Table 4. Multicollinearity Test Results. (Source: Results of data analysis with STATA)

Variable	VIF	1/VIF
ACI	4.77	0.209
ACE	3.29	0.304
ACTe	2.49	0.402
BGD	2.30	0.436
Inflation	2.81	0.356
GDP	1.98	0.506
Mean VIF	2.94	

Furthermore, in Table 5, Fixed-Effect Regression utilizing Driscoll-Kraay Standard Errors, as outlined by Hoechle (2007) which states that the Driscoll and Kraay standard nonparametric covariance matrix estimates fixed effect models and is valid for balanced and unbalanced panel data (Table 5).

Table 5. Fixed-Effect Regression with Driscoll-Kraay Standard Errors. Note: *** level of significance at level (P<0.01%), ** level of significance at level (p<0.05%), * level of significance at level (p<0.01%)

Variable	β	P-Value
ACI	0.037**	0.037
ACE	-0.176	0.837
ACTe	0.229	0.151
BGD	0.325***	0.002
Inflation	-0.201**	0.037
GDP	0.201	0.495
Const	40.601	0.000
Obs = 834		
R2 = 0.195		

Based on Table 5, the results of Fixed-Effect Regression with Driscoll-Kraay Standard Errors reveal that the ACI variable has a p-value 0.037 and β value 0.037. The ACE variable has a p-value of 0.837 and a β value of -0.176. ACTe has a p-value of 0.151 with a β value of 0.229. Analysis of the control variables shows that BGD and Inflation have an effect on ESG scores with p-values of 0.002 and 0.037, respectively. Different in the analysis of the GDP control variable with a p-value of 0.495, proving that it has no influence on ESG. R² value amounting to 0.195 or 19.5%. The remaining 80.5% can be caused by other factors not included in the analysis of this study.

The overall results of the hypothesis in our research, H1, are accepted, or the audit committee independence variable has a significantly positive influence on the ESG Score. H2 is rejected; it reveals that audit committee expertise has no significant effect on ESG. H3 is rejected or provides evidence that the variable of the audit committee tenure has no significant effect on the ESG score. We also strengthen it with a cross-sectional analysis for each year in Table 5. However, in general, the results of this research are shown in Table 6.

Table 6. Cross-Sectional Analysis in a Single Year from the Period 2018-2023. Note: *** level of significance at level (P<0.01%), ** level of significance at level (p<0.05%), * level of significance at level (p<0.1%)

Variable	2018	2019	2020	2021	2022	2023
ACI	0.154* (0.069)	0.030** (0.718)	0.058** (0.481)	0.036** (0.622)	0.123 (0.119)	0.068 (0.394)
ACE	10.311** (0.020)	9.765** (0.025)	12.324*** (0.008)	13.479*** (0.000)	5.416 (0.127)	1.158 (0.766)
ACTe	-0.776*** (0.002)	-0.908*** (0.000)	-0.746*** (0.007)	-0.364 (0.211)	-0.536* (0.081)	0.017 (0.963)
BGD	-0.057 (0.627)	-0.022 (0.874)	-0.097 (0.537)	-0.131 (0.385)	0.099 (0.559)	-0.073 (0.712)
Inflation	2.378 (0.284)	1.423 (0.588)	-0.143 (0.930)	-3.179 (0.156)	-0.292 (0.909)	-2.441* (0.098)
GDP	-5.253 (0.138)	-2.308* (0.083)	0.274 (0.720)	-1.813*** (0.006)	-1.964* (0.107)	0.571 (0.693)
Intercept (cons)	60.282***	55.788***	43.046***	52.574***	44.039*	39.659***
R-squared	0.1644	0.1345	0.1146	0.1757	0.0997	0.0499
Prob > F	0.0001***	0.0008***	0.0112**	0.0000***	0.0080**	0.3203

DISCUSSION

The purpose of these findings is to provide a complete understanding of the ways in which the features of audit committees influence the environmental, social, and governance (ESG) performance of enterprises in Southeast Asia, notably prior to, during, and after the COVID-19 outbreak. With regard to environmental, social, and governance (ESG) performance scores, the data suggest that the independence of the audit committee has a positive and significant impact. On the other hand, the experience and tenure of audit committee members do not have a significant impact on the results of ESG performance.

The first finding regarding the positive influence of audit committee independence on ESG performance scores emphasizes that independent members have a very important role in ensuring the effectiveness of company supervision. AC members who have an independent nature are believed to be stronger in acting to monitor the integrity of non-financial reporting in the interests of shareholders and wider stakeholders. Without pressure from any party, independent AC members can supervise the implementation of ESG policies. These results align with the agency theory proposed by Jensen and Meckling (1976), which states that minimizing conflict and information asymmetry in the company's strategic decision-making requires strong supervision from external supervisors. These findings strengthen previous research, such as Buallay and Al-Ajmi (2020), Hammami and Hendijah Zadeh (2020), Pozzoli et al. (2022) and Shaukat et al. (2016), which stated that the existence of independent AC members could improve sustainability practices by prioritizing transparency and accountability. Therefore, during periods of crisis such as COVID-19, AC independence is crucial to encouraging companies to be socially responsible to provide long-term trust and stability.

The second result reveals that the performance of the ESG score is not influenced by AC member expertise. This suggests that a member of an AC with a financial background does not always influence sustainability performance. Othman et al. (2014) claim that compared to non-financial elements, AC members often concentrate on financial ones during crises. Consequently, during crises, the decisions made by AC members sometimes give firm operations and cash flow top priority above long-term sustainability projects. Appuhami and Tashakor (2017) and Buallay and Al-Ajmi (2020), in line with these results, said that technical knowledge in the financial sector of AC members does not guarantee that the quality of monitoring of sustainability performance has grown. This emphasizes the requirement for AC members to have a more exact knowledge of non-financial elements. The strategy followed by AC members thus far seems to give priority to financial considerations, which hence fails to realize sustainable corporate governance.

The final result is that the performance of the ESG score does not exhibit any notable correlation with AC Tenure. This implies that the quality and monitoring of reporting will be lower the longer AC tenure serves. In line with these results, Sharma and Iselin (2012) clarified that AC members who have held posts for too long will create a pattern of personal interactions with management, therefore reducing the quality of AC oversight of management. This outcome aligns with the findings of Chi et al. (2009) and Carey and Simnett (2006), who claimed that AC Tenure might lower psychological freedom. The existence of AC members who have served too long weakens the necessity of flexible and quick ESG rules more and more. Therefore, this investigation provides a comprehensive overview of the importance of rotation in the AC membership structure as a component of a strategy to improve non-financial governance.

In this perspective, the results of our research can also contribute to improving the ongoing standard-setting process, and the efforts of regulators in ASEAN-5 are also quite significant. For example, the Financial Services Authority regulations in Indonesia regarding the implementation of sustainable finance (OJK, 2017), regulations in Malaysia regarding the implementation of sustainability reporting (Bursa Malaysia, 2015), regulations in Singapore regarding sustainability reporting in rules 711A and 711B (Singapore Exchange, 2016), regulations in Thailand regarding the governance of non-financial information disclosure practices (Thai Institute of Directors Association, 2017), and in Philippines memorandum circular no. 4 regarding environmental, social and governance aspects (Securities and Exchange Commission Philippines, 2019). From these regulations, ASEAN-5 countries still focus on disclosure and procedures for sustainability reports, but they still do not require procedures for auditing sustainability reports. As a reference in table 5, our research results show that independence has a positive effect, while AC expertise and AC tenure exhibit little effects during a crisis like the Covid-19 outbreak.

Based on our findings, AC characteristics have a very important influence on ensuring companies comply with existing regulations. AC characteristics are also a form of monitoring information regarding the company's social concern for stakeholders. A comprehensive analysis of this matter is required to evaluate the impact of AC features worldwide and within the ASEAN area.

CONCLUSIONS

Through the collection of data on Refinitiv Eikon, the purpose of this study is to explore the influence of AC independence, AC expertise, and AC tenure on ESG scores prior to, during, and after the COVID-19 pandemic that occurred between the years 2018 and 2023. The countries that are the focus of this study are the ASEAN-5 countries, which are Indonesia, Malaysia, Singapore, Thailand, and the Philippines. These are countries that provide a significant amount of support to the ASEAN region. Based on the findings, it can be concluded that the independence of AC has a favorable and significant impact on ESG. It should be noted, however, that AC knowledge and tenure do not in fact have a major positive impact on ESG.

The results show that audit committee independence has a positively significant effect on ESG. This proves that the monitoring function related to sustainability reporting and policy implementation runs effectively with the presence of independent members, which is in line with agency theory, stating that independence can reduce information asymmetry between management and stakeholders. In this context, the integrity and transparency of independent audit committee members play an important role in ensuring ESG disclosures, especially during periods of crisis.

On the other hand, there is no significant positive relationship between audit committee expertise and ESG scores. This proves that technical and financial competence among committee members is not necessarily able to contribute to sustainability performance. This may be due to the fact that the expertise tends to focus primarily on financial stability, resulting in non-financial aspects such as ESG receiving less attention. This finding is in line with previous literature showing that, during a crisis, financially skilled audit committee members tend to take a conservative stance, prioritizing financial resilience over investment in non-financial initiatives.

Similar results were also found for audit committee tenure; there was no significant positive relationship with the ESG score. In other words, this evidence shows that increased effectiveness in overseeing ESG reporting does not depend on the tenure of audit committee members. In fact, extending the ownership period can create a sense of affiliation with management, thereby potentially weakening supervisory objectivity. Therefore, regular rotation and renewal of audit committee members are important considerations in the sustainability governance framework.

This research provides important theoretical and practical contributions. Theoretically, this strengthens the relevance of agency theory in explaining governance mechanisms in sustainability practices in developing countries. Practically, this provides insight for regulators in ASEAN-5 countries to improve non-financial reporting governance policies, in particular by strengthening the role and independence of audit committees. Although several countries have adopted sustainability reporting regulations, there is still a need to build a strong audit mechanism for these reports to increase investor confidence comprehensively.

However, this study has certain limitations. First, it only focuses geographically on the ASEAN-5 countries. Second, studies were limited to 2018-2023. Moreover, the limited scope of audit committee characteristics was analyzed. It is recommended that research expand geographic scope, add research years after the COVID-19 crisis, and include additional variables such as meeting frequency and gender diversity in audit committees.

ADDITIONAL INFORMATION

AUTHOR CONTRIBUTIONS

All authors have contributed equally.

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CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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ВПЛИВ ХАРАКТЕРИСТИК АУДИТОРСЬКОГО КОМІТЕТУ НА ЕКОЛОГІЧНІ, СОЦІАЛЬНІ, УПРАВЛІНСЬКІ ПОКАЗНИКИ (ESG): ДАНІ ASEAN

У цьому дослідженні автори вивчають вплив характеристик аудиторського комітету на екологічну, соціальну та управлінську діяльність (ESG). Це дослідження зосереджене на п'яти країнах Південно-Східної Азії, або ASEAN-5 (Індонезія, Малайзія, Філіппіни, Сінгапур і Таїланд), на 2018-2023 роки до, під час і після пандемії COVID-19. Дані були зібрані за допомогою потоку даних Refinitiv Eikon, а потім для відбору для цього дослідження був використаний цілеспрямований метод вибірки. Було відібрано 139 компаній у вибірці, або 834 дані за 2018-2023 роки. Дані були проаналізовані за допомогою методів регресії панельних даних за допомогою програмного забезпечення STATA 17. Це дослідження показало, що незалежність аудиторського комітету має значний позитивний вплив на ESG, припускаючи, що незалежний нагляд підвищує прихильність фірми до сталих та етичних практик. Ці результати свідчать про те, що хоча незалежність відіграє критично важливу роль у досягненні результатів ESG, технічна експертиза й тривалість роботи членів аудиторського комітету можуть не бути достатніми показниками ефективного нагляду за ESG у контексті ASEAN-5. Наслідки цих висновків подвійні. По-перше, вони підкреслюють важливість для компаній і регулюючих органів у Південно-Східній Азії зміцнення механізмів управління, надаючи пріоритет незалежності аудиторських комітетів як ключовому чинникові нефінансових результатів. По-друге, автори виступають за розробку нормативно-правової бази, яка приділяє особливу увагу аудиту нефінансової інформації, зокрема показників ESG, для зміцнення довіри інвесторів і сталих інвестиційних практик. По мірі того, як проблеми ESG набувають важливого значення в усьому світі, вдосконалення структури аудиторських комітетів може виявитися важливим для узгодження корпоративного управління з цілями сталого розвитку на ринках, що розвиваються.

Ключові слова: незалежність аудиторського комітету, експертиза аудиторського комітету, термін повноважень аудиторського комітету, ASEAN-5, ESG, Covid-19, Refinitiv Eikon

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