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Do Audit Committee Attributes Moderate Sustainability Reporting's Impact On Firm Performance?

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Abstract

Purpose: Sustainability reporting has been frequently used globally to provide corporate transparency to stakeholders on environmental, social, and governance matters. Therefore, this study investigates how audit committee attributes act as moderators on sustainability reporting and firm performance relationships in India.

Research Methodology: This research employs the DWH Test for Endogeneity and OLS regression on data collected from the listed BSE 500 companies, with 840 observations from March 2019 to 2024. It takes ESGScore as independent, ACMeet and ACSize as moderators, and RONW and Tobin's q as dependent variables.

Results: The empirical results indicate a significant positive association between firm performance and ESG reporting. They also show a moderation effect of AC Size (p-value-0.06) and AC Meeting (p-value-0.00) on the relationship between RONW and ESG, implying that good audit management increases the benefits of sustainability projects.

Conclusions: It indicates the high trust of stakeholders which improves corporate reputation, creates brand value and drive innovation to gain competitive advantage and long-term growth which leads to positive IRR and helps in managing the various potential risks causing by environmental and societal factors.

Limitations: This study considers only two AC attributes and depends on secondary ESG data, thus there may be chance of potential bias and unobserved variables.

Contribution: This research contributes in terms of describing the deeper insights into governance quality by introducing AC size and AC meetings as moderators on ESG reporting and FP relationship.

Keywords: *Agency Theory*, *Audit Committee Characteristics, Firm Performance, Sustainability Reporting, Stakeholder Theory*

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1. Introduction

In the global and Indian contexts, the central point is comprehensive development by providing economic benefits to all parts of society while protecting the environment and ecosystems (Laskar, 2024). Therefore, social, economic, and environmental indicators are considered the pillars of sustainability (Bui et al., 2017). Therefore, sustainable development has received increasing attention from corporations. According to the International Institute for Sustainable Development (1992), Enterprise Sustainability can be described as "adopting business strategies and activities that meet the

needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future." To disclose sustainable information, the Ministry of Corporate Affairs (MCA), GOI, circulated 'The National Voluntary Guidelines (NVG) on business's Social, Environmental, and Economic responsibilities. Registered corporations must publish a Business Responsibility Report (BRR) in their annual reports or separately to improve disclosure quality. The concept of sustainability disclosure can also be termed the Triple Bottom Line, sustainability disclosure, sustainability performance, and ESG reporting (Laskar, 2018).

This is in response to increasing concerns about environmental degradation, resource depletion, climate change, radiant heating, and human rights abuses (Karaman, Kilic, and Uyar (2018), as well as the influence of international competition, elevating stakeholder relations, and yielding competitive advantage (Yadava & Sinha, 2016). Disclosure of sustainable information imparts micro- and macro-economic benefits, such as maximizing profits, shareholder returns, contribution to tax and GDP, and royalties, to companies and the government (Bui et al., 2017). Notwithstanding these advantages, problems persist involving data gathering, standardization, validation of sustainability indicators, and robust governance systems, particularly audit committees, which are essential for preserving the credibility and integrity of such reports.

ESG reporting deals with concrete evidence and data, offering insightful information on a company's external performance and addressing the increasing needs of investors and stakeholders. As a key governance body, the audit committee oversees financial and non-financial reporting (ESG reporting) and typically involves alliances between management, ESG committees, and board oversight (Tumwebaze, Bananuka, Kaawaase, Bonareri, & Mutesasira, 2022). Hence, Indian companies must embrace sustainability reporting approaches primarily monitored by audit committee members for competitive advantage in the international market (Laskar, 2024). However, few studies have explained the audit committee characteristics in the linkage between sustainability reporting and firm performance (Albitar, Hussainey, Kolade, & Gerged, 2020).

This study examines whether audit committee characteristics (audit committee size and meetings) moderate the relationship between sustainability reporting and firm performance in Indian companies, as the moderating variable sways the strength or direction of the association between predictor and dependent variables and is most commonly employed when a frail or inconsistent association exists between independent and dependent variables (Mukerjee, Deshmukh, Mukherjee, & Chawla, 2023)**.** Prior studies mainly focus on the direct relationship between sustainability reporting and firm performance, and limited research has paid attention to the moderating role of audit committee attributes (size and frequency of meetings) in this relationship.

Moreover, developed countries have conducted these studies, thus, there is a gap for emerging economies like India, where ESG practices and governance structures are still evolving. Moreover, the researcher considers endogeneity concerns and dual-perspective performance evaluation by indulging in both accounting and market-based performance measures. The BSE 500 companies are selected as study samples because it is the world's fastest stock exchange and one of India's leading exchange groups. The study conveyed significant results, reflecting that audit committee functions offer openness, credibility, and alignment with sustainability goals, raising stakeholder confidence, enabling long-term value growth, and assisting governance systems. Hence, Modern corporate governance helps firms sustain competitive advantages and support global projects for a sustainable future.

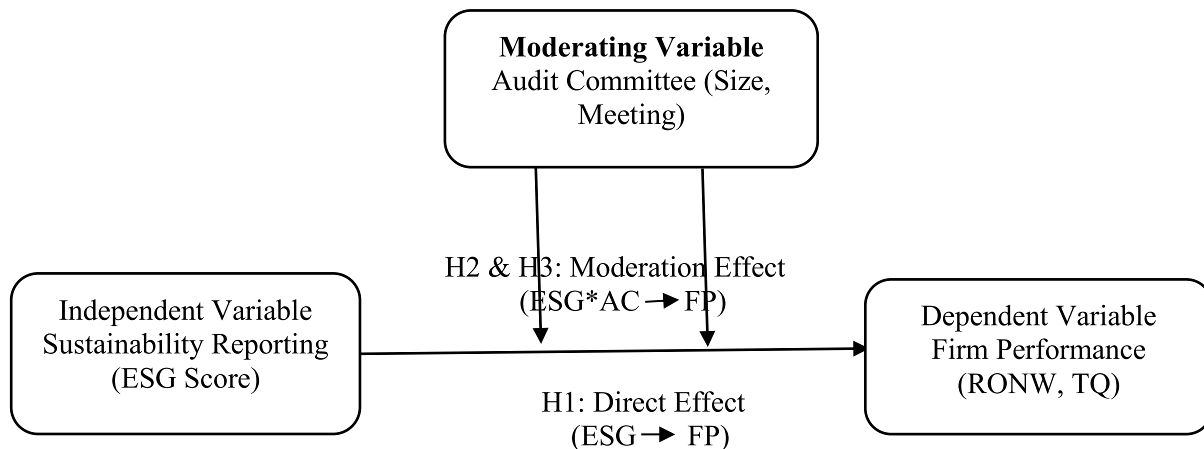

Figure 1. Presentation of the Model
Source: Author's Compilation

The remainder of this paper is organized as follows: The research objectives are presented in Section 2. The theoretical framework and hypothesis development are presented in Section 3. Section 4 describes the research methodology, including the study sample, variables, and model description. The empirical results and analysis are interpreted in Section 5, which shows the significant moderating effect of AC attributes on the relationship between firm performance and sustainability reporting. The key conclusions are outlined in Section 6, along with the policy implications and constraints of the study.

Although many studies have examined the relationship between ESG and FP, few have examined how AC affects this linkage. The AC guarantees that all stakeholders receive accurate and reliable information. Hence, it is the driving force behind this research (Bicer & Feneir, 2019). Consequently, the following objectives are in line with this passion:

1. This study investigates the link between sustainability reporting and firm performance in Indian companies.
2. This study explores the moderating effect of Audit Committee Characteristics on the association between sustainability reporting and firm performance in Indian companies.

2. Literature Review

2.1 Theoretical Framework

Stakeholder, legitimacy, and agency theories are more prominent in understanding environmental and societal disclosure practices. Stakeholder theory expounds on compliance with activities that consider stakeholders' interests. It guarantees accountability to various stakeholder groups (Awa, Etim, and Ogbonda (2024), including shareholders, employees, local communities, business partners, customers, governments, and the public (Yadava & Sinha, 2016). By addressing stakeholder needs for sustainability information, companies can foster long-lasting connections, loyalty, and confidence (Mahajan, Lim, Sareen, Kumar, & Panwar, 2023).

In contrast, legitimacy theory provides insights into how companies should perform their activities within the norms and comply with their corresponding societies for continuity and long-term success (Patten, 2020). According to this theory, ESG practices offer a means of demonstrating congruence with society's values and bridging the gap between corporate operations and society's expectations. Thus, sustainability reporting allows industries with significant social and environmental impacts to validate their operations (Deegan, 2019). Next, agency theory explains the alleviation of information asymmetry, agency problems, and agency costs (Karaman et al. (2018), which arise from conflicts of interest between principals and agents. Therefore, this theory asserts that managers act as agents for shareholders to maximize their wealth and the firm's profitability by reducing information costs and asymmetries (Buallay, 2019).

Together, these theories complement each other in that stakeholder expectations create pressure for social approval and mechanisms to reduce agency costs through transparency. The application of these theories makes information more transparent and sustainable. When companies provide transparent and acceptable sustainability reports, they demonstrate their commitment to corporate social responsibility and compliance with sound business practices (NguyenNguyen (2020), which aids in protecting shareholders' interests by aligning them with those of the managers (Arora & Bhandari, 2017). This indicates that greater transparency and availability of extra qualitative data pique the interest of the domestic and international stakeholder communities (Prince & Dwivedi, 2020). India has also made significant developments in the era of ESG practices throughout the years Aggarwal and Singh (2019), as every decision made by a person is based on excellence for their health and safety and also for their social, economic, and political rights (Odinkonigbo, Nwafor, & Nwoke, 2019).

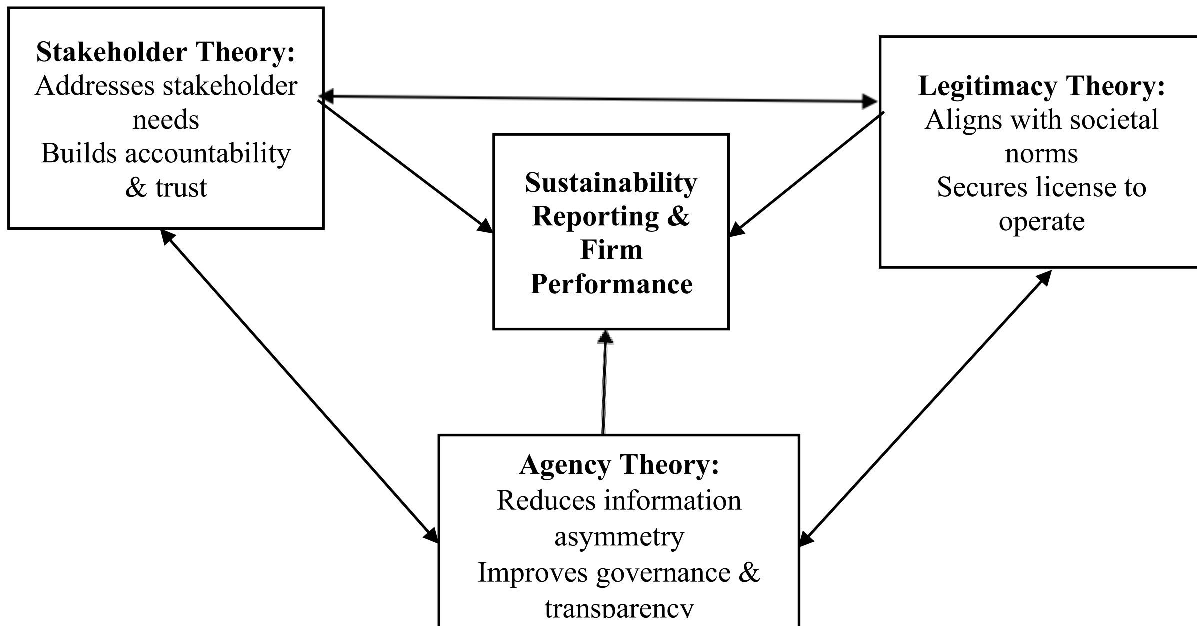

Figure 2. Integrated Theoretical Framework
Source: Author's Compilation

2.2 Hypothesis Development

2.2.1 Sustainability Reporting and Firm Performance

Sustainability reporting is the primary channel for communicating and disseminating information about sustainability actions to all stakeholders (Orazalin and Mahmood (2020), which may boost the content and timeliness of the information (Ooi, Mayes, Dhaliwal, & Shane, 2020). Much empirical research has been conducted on this topic. Laskar (2024) examined the level and influence of corporate sustainability disclosure and performance of non-financial firms and found a favorable impact of sustainability reporting on firm performance assessed by MBR. These findings are consistent with Laskar and Maji (2016) in the Indian framework. The study also deduced that the level of reporting is 88% and the quality of reporting is 80 per cent, indicating that India's sustainability practices are becoming a reality. Therefore Buallay and Al-Ajmi (2020); Hutagaol (2017); Laskar (2019); Shakil, Mahmood, Tasnia, and Munim (2019); and Sharma, Panday, and Dangwal (2020), found a significant positive linkage between firm performance, measured by ROA, ROCE, and Tobin's q, and ESG reporting, indicating that spending on ESG activities is not expensive compared to its outcomes. Hence, investors rely on these performance measures as they generate factual value for stakeholders. On the other hand, Girón, Kazemikhasragh, Cicchiello, and Panetti (2021), Goel (2021), and Karaman et al. (2018) concluded an insignificant relationship between sustainability disclosure and firm performance. Possible reasons include the cost-benefit trade-off, time constraints, limited evaluation of reports, lag effect of ESG practices, and weak linkage of ESG activities to core business. Based on the above, some studies show positive significance, while others find no relationship between ESG reporting and firm performance,

indicating an inconclusive association. Thus, the researcher formulated the following hypothesis based on the literature review:
H1. Sustainability reporting positively affects firm performance.

2.2.2 Moderating Effect of Audit Committee Attributes
2.2.2.1 Audit Committee Size, Sustainability Reporting, and Firm Performance
Audit committees (AC) play an essential role in corporate governance. The corporate governance codes require the minimum number of members in the audit committee to be three to effectively monitor and report financial and non-financial practices (Appuhami & Tashakor, 2017). Resource dependency theory explains that an increase in AC size leads to more diversity in their expertise, views, skills, and experiences to determine and report potential issues related to ESG activities (Sobhan, Mim, and Rahman (2025), which ultimately results in increased firm performance and benefits to stakeholders (Shamsuddin & Alshahri, 2022). Therefore, AC size is considered an integral attribute for audit committees to oversee corporate financial and non-financial disclosure activities. However, agency theory states that the larger the AC size, the less tangibility between members, obstructing the committee's ability to attain its goals (Buallay & Al-Ajmi, 2020). Overall, it can be concluded that the benefits of larger ACs outweigh their costs in terms of effective resource and authority usage, higher firm performance, and enhanced investor confidence. Therefore, the following hypothesis is proposed:
H2: Audit committee size moderates the link between sustainability reporting and firm performance.

2.2.3 Audit Committee Meeting, Sustainability Reporting, and Firm Performance
AC members should meet frequently to oversee companies' financial and ESG reporting effectively and efficiently (Buallay, 2019). There should be a minimum of three or four meetings during the financial year (Collier, 1996). According to resource dependency theory (RDT), AC meetings assist the board in evaluating the business in a timely manner and resolving issues encountered by the company's employees (Shamsuddin & Alshahri, 2022). Thus, there is a significant association between AC meetings, ESG reporting, and firm performance. Frequent AC meetings enhance the accuracy and reliability of information disclosure, identify inconsistencies, and increase corporate performance (Appuhami & Tashakor, 2017; Bicer & Feneir, 2019). Hence, to ensure the integrity and timeliness of the financial and non-financial reports, AC meetings are considered vital (El-Deeb, Alarabi, & Mohamed, 2024). Based on the literature review, the following hypothesis was formulated:
H3: Audit committee meetings moderate the link between sustainability reporting and firm performance.

In brief, both agency and resource dependence theories provide valuable insights into the moderating role of AC characteristics. Agency theory highlights the monitoring role of ACs in reducing information asymmetry and protecting shareholders' interests by ensuring both financial and non-financial activity. However, RDT mainly focuses on how the audit committee serves as a channel for resources that enhance the committee's ability to oversee sustainability practices effectively. Together, these theories suggest that AC size and meetings strengthen monitoring and improve the committee's capacity to mobilize resources for better ESG oversight. Thus, this dual perspective justifies the selection of AC size and meetings as moderators in the relationship between sustainability reporting and firm performance.

3. Research Methodology

3.1 Study Sample and Data Collection

The present study sampled 140 financial and non-financial companies registered on the BSE 500 index for five consecutive years in India. The sample data are from F.Y., ending March 2019 to March 2024, with 840 observations. The CMIE Prowess database provided the financial information used in this study. The Bloomberg Database and Annual Reports provided data on independent and moderating factors. GDP data were extracted from the World Bank's bona fide website. All data were collected from reliable sources (Arora & Bhandari, 2017; Laskar, 2024).

Table 1. Presentation of Variables

Variables	Measurement	Description	References
Independent Variables			
Sustainability Reporting (ESGScore)	Scores extracted from the Bloomberg database	It enables companies to evaluate their performance based on ESG issues.	(Bloomberg, 2024)
Dependent Variables			
Return on Net Worth (RONW)	Percentage of profit after tax/ Average net profit	It analyses how much profit a firm earns profit with the amount its shareholders invest.	(Bhatia & Tuli, 2017; Omnamasivaya & Prasad, 2017)
Tobin's q (TQ)	Market capitalization + Total debts/ Total assets	It evidences both past performance and future expectations.	(Karaman et al., 2018)
Moderating Variables			
Audit Committee Size (ACSize)	Total members in the committee	The total number of members in the committee defines the size of the audit committee	(Ashari & Krismiaji, 2019; Qeshta, Alsoud, Hezabr, Ali, & Oudat, 2021)
Audit Committee Meetings (ACMeet)	Total meetings held during the financial year	Meeting frequency is an essential factor in the regularity & efficacy of an enterprise's operations	(Ashari & Krismiaji, 2019; Qeshta et al., 2021)
Control Variables			
Leverage	Debt/ Equity	It is used to keep the financial risk under control and assess the efficacy of sustainability reporting on performance.	(Haladu & Bin-Nashwan, 2022; Laskar, 2018; Orazalin & Mahmood, 2020)
Firm Age (Fage)	Number of years the company has been in operation	The number of years a company has been in operation from the year of incorporation.	(Qeshta et al., 2021)
Gross Domestic Product (GDP)	The logarithm of the U.S. current Dollar	It measures total economic activity inside a country and indicates the economic outlook.	(Pant & Nidugala, 2017)

Source: Author's Computation

3.2 Model Description

This study investigates the moderating role of the audit committee in the effect of sustainability reporting and firm performance. The fundamental model is represented as follows

Firm performance = *f* (Sustainability Reporting, Audit Committee, Control Variables)

The researcher used panel regression analysis (OLS) to illustrate the independent influence of sustainability reporting and Audit Committee (Size and Meetings) attributes on the entity's performance. This methodology was selected for the empirical analysis for the following reasons:

1. AC attributes show limited within-firm variation and would be dropped under fixed effects
2. Random effects assumptions of no correlation between firm-specific factors and regressors are unlikely to hold

3. The endogeneity test confirmed that OLS is an appropriate and consistent estimator.

The two objectives from the fundamental model are analyzed in empirical form as

$$RONW_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACSize_{it} + \beta_3 ACMeet_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$$

Model 1

$$TQ_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACSize_{it} + \beta_3 ACMeet_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$$

Model 2

where,

The subscripts '*i*' stand for the firm at a time '*t*' varies from 1 to N & 1 to T, where N represents the total number of selected firms and the period is denoted by T in the dataset. $\beta_1, \beta_2 \ldots \beta_9$ is a consistent coefficient vector, and ε_{it} is a peculiar error term for firm *i* at time *t.* Moreover, this study introduces audit committee attributes (size and meetings) as an interacting variable to examine its moderating effect on the association between ESG reporting and firm performance. Hence, the following models are framed as

Table 2. Models Description

RONW Models	**TQ Models**
1.1 $RONW_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACSize_{it} + \beta_3 ESGScore_{it}{*}ACSize_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$	2.1 $TQ_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACSize_{it} + \beta_3 ESGScore_{it}{*}ACSize_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$
1.2 $RONW_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACMeet_{it} + \beta_3 ESGScore_{it}{*}ACMeet_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$	2.2 $TQ_{it} = \beta_0 + \beta_1 ESGScore_{it} + \beta_2 ACMeet_{it} + \beta_3 ESGScore_{it}{*}ACMeet_{it} + \beta_4 Lev_{it} + \beta_5 Fage_{it} + \beta_6 GDP_{it} + \varepsilon_{it}$

Source: Author's Computation

4. Results and Discussions

4.1 Descriptive Analysis

Table 3 displays the results of the descriptive statistics of the dependent and explanatory variables employed in this study. The mean ESGScore is 43.88 for 840 observations, which suggests that the disclosure of sustainability items is adequate, and there is room for improvement, as its maximum value is 76.98. From the analysis, the performance, measured as RONW and TQ, revealed means of 17.28% and 4.112. This indicates that the return on net worth of manufacturing companies in India is the highest compared to TQ. Regarding moderating variables, the average of ACSize is 4 members, similar to Hasan, Molla, and Khan (2019) the mean of ACMeet is broadly five meetings. According to the amended Clause 49 of a listing agreement, the minimum number of meetings required to conduct is '4.' In the control variables, the average value of firm-level variables, that is, Lev and Fage, is 0.31, 44.34 with S.D. 1.26, 0.52, and 24.28, and country-specific variables, that is, GDP is 7.65, ranging between 7.79 and 7.55, respectively.

Table 3. Results of Descriptive analysis

Variables	Observations	Mean	Median	Maximum	Minimum	Std. Dev.
RONW	840	17.28	16.27	85.79	-35.55	13.24
TQ	840	4.11	3.01	25.54	0.59	3.42
ESGScore	840	43.88	41.25	76.98	15	12.31
ACSize	840	4.23	4	8	2	1.11
ACMeet	840	5.73	5	19	1	2.10
Lev	840	0.31	0.1	5.68	0	0.52
Fage	840	44.34	37	123	3	24.28
GDP	840	7.65	7.62	7.79	7.55	0.09

Source: Author's Compilation

4.2 Pearson correlation matrix analysis

Table 4 presents the correlation matrix. It shows the direction of the relationship between the dependent variables, their explanatory variables, and other variables. The correlation analysis determined whether there was any evidence of multicollinearity. The results convey no multicollinearity between the variables, with correlation coefficient values less than 0.70 (Anderson, Sweeney, & Williams, 2011).

Table 4. Results of the Correlation matrix

	RONW	**TQ**	**ESGScore**	**ACSize**	**ACMeet**	**Lev**	**Fage**	**GDP**
RONW	1.000							
TQ	0.572*	1.000						
ESGScore	-0.103*	-0.108*	1.000					
ACSize	0.213*	0.139*	-0.073**	1.000				
ACMeet	-0.012	-0.113*	0.121*	-0.009	1.000			
Lev	-0.305*	-0.272*	0.078**	-0.02	0.079**	1.000		
Fage	0.015	0.006	0.117*	-0.002	0.055	-0.12*	1.000	
GDP	0.007	0.009	0.185*	-0.005	-0.007	0.003	-0.029	1.000
Notes: *p<0.01, **p<0.05, ***p<0.10 (Level of significance)								

Source: Author's Compilation

4.3 Regression Results and Interpretation

This study examines the relationship between audit committees, sustainability reporting, and the performance of manufacturing companies in India's BSE 500 index. First, it examines how AC and ESG reporting independently affect FP metrics. Then, it examines the impact of audit committee characteristics on the relationship between sustainability reporting and corporate performance.

Table 5. Endogeneity Check: Durbin-Wu-Hausman Test

Model no.	**Model Name**	**p-value**	**Presence of Endogeneity**
1	RONW	0.843	No
2	TQ	0.827	No
1.1	RONW with moderator ACSize	0.536	No
1.2	RONW with moderator ACMeet	0.885	No
2.1	TQ with moderator ACSize	0.741	No
2.2	TQ with moderator ACMeet	0.925	No

Source: Author's Compilation

To check for endogeneity issues, that is, whether a correlation of independent variables exists with the error term in the model, we apply the Durbin-Wu-Hausman (DWH) test. The results indicate that the p-values of all models are greater than 0.05, indicating the absence of endogeneity. Thus, this study applied OLS for further calculations.

Table 6. Results of Regression analysis

Variables	**Model 1 (RONW)**	**Model 2 (TQ)**
ESGScore	0.05**(0.60)	0.05**(0.02)
ACSize	0.00*(0.48)	0.00*(0.40)
ACMeet	0.71(-0.36)	0.02** (0.13)
Lev	0.00*(-2.00)	0.00*(-4.33)
Fage	0.94(-0.07)	0.73 (0.56)
GDP	0.67(0.41)	0.52(0.40)
Constant	0.30(1.02)	0.27 (1.08)
Observations	840	840

Adjusted R^2	0.134	0.106
F-Statistics (p-value)	10.99(0.000)*	13.65(0.000)*
Notes: *p<0.01, **p<0.05, ***p<0.10 (Level of significance)		

Source: Author's

Compilation Table 6 exhibits the regression analysis results for the first two models to interpret the independent effect of explanatory and moderating variables on the dependent variables.

In Model 1, the p-value of the F-statistic was 0.000, indicating the model's fitness. The adjusted R^2 for the model is 0.134, which stipulates that 13% of the variations in firm performance are affected by sustainability reporting. The findings show that the ESGScore is significant for RONW. This indicates that Indian companies are slightly motivated to disclose ESG-related information (Karaman et al. (2018) as they utilize their net worth in operating activities. Moreover, firms report more on sustainability to communicate whether their business has added value and can behave sustainably (Aggarwal, 2013).

In Model 2, the p-value of the F-statistics indicates that the model is fit for further calculations. The adjusted R-squared of the model is 0.106, which explains a minor variation in financial performance for the selected sample (Goel & Misra, 2017). Moreover, the findings show that ESGScore is positively and significantly related to TQ at p-value=0.05, supporting the stakeholder theory, which states that spending on ESG activities benefits stakeholder groups, including shareholders, business partners, the government, and the public, in the form of the decision-making process related to investments.

Moreover, the moderating variables consisting of ACSize show positive significance at the 1% level with financial performance measures in both models. These results are consistent with Anasweh ((Anasweh, 2021), who stipulates that when AC members grow, the market perceives that the company's audit committee has more capability and professional resources to tackle accounting and finance difficulties. However, ACMeet shows no relation with the RONW, which is compatible with the findings (Singhania & Panda, 2025). Frequent yearly meetings imply that the board supports operating roles instead of overseeing the company. It is widely assumed that the board's function is to regulate, rather than manage, the company. In the control variables, Fage had no significant effect on TQ and RONW. However, leverage negatively affects RONW and TQ. The Packing order theory of capital structure aligns with this negative relationship. This indicates that profitable enterprises depend more on internal than on debt funds. These results are consistent with (Buallay, 2019; Laskar, 2019). GDP was not related to any performance variables. However, firms do not contemplate disclosing vast amounts of information to obtain legitimacy because their existence allows them to continue their business, indicating that companies have gained public recognition.

Table 7. Results of Regression Analysis

Variables	**RONW**		**TQ**	
	Model 1.1	**Model 1.2**	**Model 2.1**	**Model 2.2**
ESGScore	0.17(-1.35)	0.01**(2.44)	0.78(0.27)	0.13(1.50)
ACSize	0.11(-1.56)		0.57(0.56)	
ESGScore*ACSize	0.06***(1.82)		0.54(0.62)	
ACMeet		0.00*(3.10)		0.54(0.61)
ESGScore*ACMeet		0.00*(-2.60)		0.66(-0.43)
Lev	0.04**(-2.03)	0.00*(-6.80)	0.00*(-4.35)	0.00*(-4.49)
Fage	0.94(-0.07)	0.95(-0.05)	0.55(0.59)	0.57(0.56)
GDP	0.63(0.47)	0.64(0.45)	0.70(0.38)	0.66(0.43)
Constant	0.18(1.33)	0.75(0.31)	0.23(1.18)	0.24(1.16)
Obs	840	840	840	840
Adjusted R^2	0.67	0.13	0.23	0.22
F-Statistics (p-value)	11.08(0.000)*	14.46(0.000)*	27.75(0.000)*	24.93(0.000)*

Notes: *p<0.01, **p<0.05, ***p<0.10 (Level of significance)

Source: Author's Compilation

Table 7 demonstrates the moderation of the audit committee size and frequency of meetings' influence on the association between ESG reporting and FP. In the RONW and TQ scenarios, the p-value of the F-statistic depicts the fitness of both the models. However, the adjusted R^2 for Model 1.1 was 0.67, and that for Model 1.2 was 0.13. For Models 2.1 and 2.2, the values are 0.23 and 0.22, respectively

The main findings indicate a significant moderating effect of ACSize on the association between ESGScore and RONW. According to RDT, large committees bring more diverse expertise, external linkages, and technical know-how that help translate ESG practices into measurable operational activities that are likely to be cost-saving, improve compliance, and process efficiency, which leads to accounting profits. It also supports improving internal control, accrual recognition, and strengthening accounting outcomes. The results indicate a significantly negative moderating effect of ACMeet on the association between ESGScore and RONW. More frequent meetings in response to financial distress and audit issues cause negative performance. In addition, meetings without any concrete agenda can generate overheads, delay the decision-making process, signal micromanagement, and decrease the effectiveness of ESG practice implementation.

However, the AC characteristics showed no moderation effect on the TQ. They argue that when a company carries out AC size and meetings, there is no potential influence on firm performance (Singhania & Panda, 2025). A larger audit committee results in redundant arguments, delays in decision-making, and inferior communication and decision-making (Khalifa, 2019). This implies that ACSize, whether small or large, does not guarantee that it will divulge information regarding firms' sustainability reporting. Moreover, the empirical results suggest that AC meetings do not improve the committee's monitoring of corporate disclosure practices (Khalifa, 2019). Such disclosures may rely on the judgment and influence of the board of directors.

Table 8. Robustness Check - OLS Fixed Effect Regression

Performance Variables	R-square	p-value	Remarks
Return on Equity (ROE)	0.72	0.01	significant
Return on Capital Employed (ROCE)	0.82	0.08	Marginally significant
Return on Assets (ROA)	0.82	0.06	Marginally significant

Source: Author's Compilation

Table 8 reports the robustness results with OLS fixed-effect regression, as it controls for time-variant firm-specific heterogeneity. FE regression confirms that the outcomes are not controlled by omitted variable bias and reflect the bona fide effect of ESG reporting on FP. Using other financial performance indicators, the results validate the consistent positive correlation between sustainability reporting and business performance. ROE exhibits a p-value < 0.05, while ROCE and ROA show p-values of 0.08 and 0.06, demonstrating the effect at the 10% significance level. These results reinforce the reliability of the findings, indicating that the positive impact of sustainability reporting on firm performance is robust across various performance metrics. This consistency highlights the generalizability and stability of the relationship across different evaluative frameworks.

5. Conclusion

5.1 Conclusion

This study outlines the empirical results of the moderating role of audit committee size and meetings in the relationship between ESG reporting and the performance of BSE 500-listed Indian companies from March 2019 to 2024, with 840 observations. First, the results show a positive significant influence of ESG reporting on firm performance with a p-value of 0.05, indicating the high trust of stakeholders, which improves corporate reputation, creates brand value, and drives innovation to gain competitive advantage and long-term growth, leading to positive internal recurring revenue (IRR) and helping in managing the various potential risks caused by environmental and societal factors. Second, the audit

committee documented a moderating effect, with a p-value of 0.06 for AC size and less than 0.05 for AC meetings, indicating that an extensive audit committee assists in revealing and addressing flaws and ambiguities in the corporate financial and non-financial reporting systems.

In addition, the frequency of meetings supports members who interact regularly and are determined to accomplish their tasks and obligations with diligence and success. AC support the transparency and accuracy of sustainability reporting, which is associated with governance practices that strengthen corporate performance. Proactive and proficient ACs achieve superior results in terms of firm performance by integrating ESG practices into their core business. This study documents a synergistic approach that combines sustainability with governance as a strategic imperative for long-term corporate resilience, stakeholder confidence, and societal value.

5.2 Policy Implications

According to the empirical results of the hypotheses, the following are the policy implications:

1. AC Size - positive significant moderation effect: The results highlight that policy makers, such as the SEBI and MCA, should issue guidelines that prioritize the functional expertise of AC members in sustainability reporting, financing, and risk management. Firms should ensure that AC size strengthens resources instead of formality.
2. AC Meetings – negative significant moderation effect: The empirical results indicate that policy frameworks should emphasize meeting quality rather than meeting frequency, prioritize ESG integration into companies' strategies, and more discussion should be related to SWOT analysis of ESG-related practices.
3. No moderation effect with TQ: To consolidate investors' confidence, regulators should promote continuity with global sustainability frameworks, the government should provide tax benefits or preferential financing for firms that are highly involved in ESG reporting, and awareness programs on the long-term impact of ESG on valuation should be introduced, which helps reduce the gap between market expectations and governance practices.
4. ESG practices and governance integration: Policymakers should introduce mandatory periodic external assurance of ESG reporting activities. To enable comparison, standardized ESG audit frameworks must be developed. To enhance the oversight role, audit committees must be certified in ESG assurance and reporting.

5.3 Constraint of the Study

Certain constraints limit this study, including AC attributes such as gender, tenure, independence, and audit quality. Moreover, brand perception, brand resonance, market trends, business expansion, competitors' pricing strategies, and supply chain management can be considered moderators in future studies. Future research can expand the scope to diverse regions to generalize the findings. Conducting long-term analyses, such as ten-year tenure or more, for deeper insights into the interconnection between sustainability reporting, governance mechanisms, and firm performance.

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