

CHAPTER 2

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Agency Theory

Agency theory examines the relationship between parties with different interests within an organization, each motivated by their own interests. According to Rankin et al. (2022), agency theory is used to understand relationships whereby a person or group of persons (the principal) employs the services of another (the agent) to perform some activity on their behalf. In doing so, the principal delegates the decision making authority to the agent. In this relationship, agents are expected to act in the best interests of principals. However, both parties are assumed to be utility maximizers, meaning that conflicts may arise when the interests of agents and principals are not aligned. As a result, managers may make decisions that prioritize their own interests rather than those of shareholders.

Jensen and Meckling identified three agency costs arising from the agency relationship, namely monitoring costs, bonding costs, and residual loss (Rankin et al., 2022).

1. Monitoring Costs

Monitoring costs refer to the costs incurred by principals to observe, evaluate, and control the behavior of agents in order to ensure that managerial actions align with shareholders' interests (Rankin et al., 2022). These costs include expenses related to auditing, supervision,

and governance mechanisms established to reduce opportunistic managerial behavior. In the context of corporate governance, audit committees serve as a critical internal monitoring mechanism to oversee both financial and non-financial disclosures, including CSR reporting (Qaderi, Ghaleb, Hashed, et al., 2023). In this study, the audit committee acts as an important monitoring mechanism to oversee the quality of financial and non-financial disclosures, including CSR disclosure. Audit committee characteristics such as committee size, meeting frequency, and expertise are expected to strengthen monitoring effectiveness and reduce information asymmetry between management and shareholders (Mohammadi et al., 2021).

2. Bonding Costs

Bonding costs arise when agents voluntarily undertake certain actions to assure principals that they are acting in the best interests of the principals (Rankin et al., 2022). These costs are incurred to reduce concerns regarding managerial opportunism and to enhance stakeholder trust. Examples include providing additional disclosures, improving reporting transparency, and complying with governance standards. These costs may include additional time, effort, and resources used to provide transparent disclosures and maintain stakeholder trust. In the context of this study, CSR disclosure based on GRI Standards 2021 can be viewed as a bonding mechanism used

by management to demonstrate accountability and transparency regarding the company's social and environmental performance. Wang et al. (2024) confirm this view, arguing that from an agency theory perspective, CSR functions as an information system that reduces information uncertainty and mitigates agency risks between managers and investors.

3. Residual Loss

Residual loss refers to the remaining agency costs that persist even after monitoring and bonding mechanisms have been implemented (Rankin et al., 2022). Agency conflicts cannot be entirely eliminated because it is impossible to perfectly monitor all managerial actions or guarantee that managers always act in the best interests of shareholders. It is sometimes too costly to fully monitor managerial behavior, causing some divergence between the interests of principals and agents to persist. In relation to this study, managers may still provide incomplete or selective CSR disclosure despite the existence of governance mechanisms. El-Deeb et al. (2024) demonstrate that effective audit committee characteristics, ranging from size and independence to meeting frequency and expertise are significantly enhance the effectiveness of monitoring and risk disclosure practices, thereby reducing residual agency loss. Therefore, effective audit committees are needed to minimize residual loss and improve the quality of CSR disclosure.

Managers as agents possess greater access to information regarding company activities and performance compared to principals, allowing them to determine when and how information will be disclosed (Rankin et al., 2022). This condition creates information asymmetry, which may trigger conflicts between principals and agents. To reduce such conflicts, companies establish audit committees to supervise financial and non-financial disclosures, including CSR disclosure (Mohammadi et al., 2021).

Furthermore, this study also incorporates family ownership as a moderating variable. Family ownership may influence the effectiveness of audit committee oversight because family-controlled firms generally have concentrated ownership and stronger control over managerial decisions. On one hand, family ownership may strengthen monitoring and encourage better CSR disclosure to preserve family reputation and long-term sustainability. Therefore, agency theory provides a relevant theoretical basis for explaining the role of audit committee characteristics in strengthening CSR disclosure and the moderating role of family ownership in Indonesian manufacturing firms.

2.2. Legitimacy Theory

Legitimacy theory is used to explain corporate actions and activities, particularly those related to social and environmental issues. According to Rankin et al. (2022), legitimacy theory is based on the concept of a social contract between a company and society. Through this social contract, society provides organizations with the right to operate, while companies

are expected to conduct their activities in accordance with societal values, norms, and expectations. Therefore, companies must not only focus on maximizing profit, but also demonstrate responsibility toward social and environmental issues in order to maintain public trust and organizational legitimacy. In this context, companies are expected to operate consistently with the value system accepted by society. If corporate actions are perceived as inconsistent with societal expectations, the company may face legitimacy threats such as public criticism, loss of reputation, or declining stakeholder trust. Consequently, organizations tend to undertake activities and disclosures that can maintain or restore legitimacy in the eyes of society.

In the past, corporate legitimacy was primarily associated with economic performance and profitability. However, societal expectations have evolved, and companies are now expected to pay greater attention to environmental and social impacts arising from their operations. Solikhah (2016) confirms this view in the context of Indonesian manufacturing, showing that industry sensitivity, especially for high-profile manufacturing sectors, significantly influences the extent of CSR disclosure, in line with the prediction of legitimacy theory that companies facing greater public scrutiny will disclose more to manage their social legitimacy. As a result, CSR disclosure has become an important mechanism for companies to demonstrate accountability and show that their activities align with societal expectations. Through CSR disclosure, firms communicate their

commitments related to environmental sustainability, employee welfare, community development, and ethical business practices.

In relation to this study, legitimacy theory explains why Indonesian manufacturing firms increasingly disclose CSR information based on GRI Standards 2021. Dewi et al. (2025) confirm that CSR disclosure among Indonesian listed companies enhances firm performance and investor trust precisely because it functions as a legitimacy signal, demonstrating alignment between corporate behavior and societal expectations especially in industries with high social and environmental exposure. Companies seek to maintain legitimacy by providing transparent and comprehensive sustainability disclosures that meet stakeholder and societal expectations, especially in the post-pandemic period where public concern regarding social and environmental responsibility has significantly increased.

The audit committee plays an important role in strengthening corporate legitimacy through effective oversight of CSR disclosure practices. Audit committee characteristics such as committee size, meeting frequency, and expertise are expected to improve the quality, credibility, and transparency of CSR disclosure. A larger and more active audit committee with relevant expertise is more capable of monitoring management and ensuring that sustainability information disclosed by the company reflects actual corporate practices and complies with reporting standards.

2.3. Stakeholder Theory

Stakeholder theory explains that companies are not only responsible to shareholders, but also to various stakeholder groups that can affect or be affected by the achievement of organizational objectives. According to Freeman, as cited in (Rankin et al., 2022), stakeholders are defined as :

“any group or individual who can affect or is affected by the achievements of an organization’s objectives.”

These stakeholders include shareholders, employees, creditors, customers, suppliers, governments, local communities, and society as a whole.

Stakeholder theory emphasizes that organizations must consider the interests and expectations of stakeholders in their decision-making processes because organizational survival depends on stakeholder support. Unlike legitimacy theory, which focuses on society in general, stakeholder theory focuses on the relationships between organizations and specific stakeholder groups. Companies are therefore expected to provide information and accountability not only regarding financial performance, but also regarding social and environmental performance. The development of stakeholder theory suggests that organizations should maintain good relationships with stakeholders to achieve long-term sustainability and organizational success. One important way to fulfill stakeholder expectations is through CSR disclosure. CSR disclosure enables companies to communicate information regarding their environmental, social, and

governance activities, thereby reducing information asymmetry and increasing stakeholder trust (Qaderi, Ghaleb, Hashed, et al., 2023)

In the context of this study, stakeholder theory explains why companies need effective governance mechanisms to ensure high-quality CSR disclosure. Stakeholders increasingly demand transparent and reliable sustainability information, particularly after the implementation of GRI Standards 2021. Therefore, the audit committee plays a critical role in overseeing the disclosure process and ensuring that CSR information meets stakeholder expectations.

Audit committee characteristics such as size, meeting frequency, and expertise are expected to strengthen the effectiveness of monitoring and improve CSR disclosure quality. A larger audit committee may provide broader perspectives in addressing stakeholder concerns, while frequent meetings allow more intensive discussions regarding sustainability reporting issues. In addition, audit committee expertise enhances the committee's ability to evaluate the accuracy, reliability, and completeness of CSR disclosure (Mohammadi et al., 2021).

Family ownership may also influence the relationship between audit committee characteristics and CSR disclosure. Family firms often prioritize long-term relationships with stakeholders and reputation preservation, which may encourage broader CSR disclosure practices. Therefore, stakeholder theory supports the argument that audit committee

characteristics and family ownership influence the quality of CSR disclosure among Indonesian manufacturing firms.

2.4. Corporate Social Responsibility (CSR) Disclosure and GRI Standards 2021

Corporate Social Responsibility (CSR) disclosure refers to the voluntary and mandatory communication by firms of their environmental, social, and governance (ESG) performance to internal and external stakeholders (Hunjra et al., 2025). It encompasses reporting on a company's policies, initiatives, and measurable impacts across dimensions including environmental stewardship, labor practices, community development, and ethical governance. CSR disclosure is not merely a reputational tool, it functions as an information mechanism that reduces asymmetry between managers and stakeholders, enables evaluation of sustainability risks, and signals a firm's commitment to long-term value creation beyond financial profitability (Wang et al., 2024).

Although CSR reporting was historically voluntary, it has increasingly transitioned toward regulated and standardized practice. In Indonesia, this shift is anchored by two key regulatory instruments. Law No. 40 of 2007 on Limited Liability Companies mandates CSR activities for firms operating in or related to natural resources, while OJK Regulation No.51/POJK.03/2017 requires all IDX-listed firms to publish sustainability reports aligned with recognized international frameworks. Despite this regulatory foundation, the depth and quality of CSR disclosure vary

substantially across Indonesian listed companies, shaped by differences in corporate governance quality, ownership structure, and managerial incentives (Ananda et al., 2023). Some firms disclose only the minimum required information, while others voluntarily provide extensive sustainability reporting to satisfy broader stakeholder expectations.

The most widely adopted international framework for CSR disclosure is the Global Reporting Initiative (GRI) Standards. The GRI Standards 2021 which became effective from January 2023 introduced significant revisions over previous versions, including updated universal standards (GRI 1, GRI 2, GRI 3) that require firms to disclose their material impacts, due diligence processes, and stakeholder engagement practices more rigorously than before (GRI, 2021). This revision expanded the scope of required disclosures and placed greater emphasis on connecting sustainability impacts with organizational strategy and governance structures. The use of GRI Standards 2021 in this study is motivated by its status as the most current and comprehensive internationally recognized framework applicable to Indonesian manufacturing firms during the 2023–2025 study period, and by the fact that OJK Regulation No.51/POJK.03/2017 explicitly endorses GRI as a reference framework for sustainability reporting in Indonesia.

In academic research, CSR disclosure is commonly measured through content analysis using a disclosure index. Each GRI item present in a company's annual or sustainability report is scored 1, while each absent

item is scored 0. The overall disclosure score for each firm is then calculated as the ratio of disclosed items to the total number of applicable GRI items, resulting in a continuous score ranging from 0 to 1 that reflects the proportion of GRI items disclosed (Mohammadi et al., 2021). This approach is well-established in the literature and enables systematic cross-firm comparison of disclosure breadth.

Table 2. 1. CSR Disclosure Index (GRI Standards 2021)

General disclosures		
1. The Organization and its Reporting Practices		
1	GRI 2: General Disclosures	2-1 Organizational details
2		2-2 Entities included in the organization’s sustainability reporting
3		2-3 Reporting period, frequency and contact point
4		2-4 Restatements of information
5		2-5 External assurance
2. Activities and Workers		
6	GRI 2: General Disclosures	2-6 Activities, value chain and other business relationships
7		2-7 Employees
8		2-8 Workers who are not employees
3. Governance		

9	GRI 2: General Disclosures	2-9 Governance structure and composition
10		2-10 Nomination and selection of the highest governance body
11		2-11 Chair of the highest governance body
12		2-12 Role of the highest governance body in overseeing the management of impacts
13		2-13 Delegation of responsibility for managing impacts
14		2-14 Role of the highest governance body in sustainability reporting
15		2-15 Conflicts of interest
16		2-16 Communication of critical concerns
17		2-17 Collective knowledge of the highest governance body
18		2-18 Evaluation of the performance of the highest governance body
19		2-19 Remuneration policies
20		2-20 Process to determine remuneration
21		2-21 Annual total compensation ratio
4. Strategy, Policy, and Practice		
22	GRI 2: General Disclosures	2-22 Statement on sustainable development strategy
23		2-23 Policy commitments

24		2-24 Embedding policy commitments
25		2-25 Processes to remediate negative impacts
26		2-26 Mechanisms for seeking advice and raising concerns
27		2-27 Compliance with laws and regulations
28		2-28 Membership associations
29		2-29 Approach to stakeholder engagement
30		2-30 Collective bargaining agreements
Material topics		
31	GRI 3: Material Topics	3-1 Process to determine material topics
32		3-2 List of material topics
33		3-3 Management of material topics
34	GRI 201: Economic Performance	201-1 Direct economic value generated and distributed
35		201-2 Financial implications and other risks and opportunities due to climate change
36		201-3 Defined benefit plan obligations and other retirement plans
37		201-4 Financial assistance received from government
38	GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage

39		202-2 Proportion of senior management hired from the local community
40	GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported
41		203-2 Significant indirect economic impacts
42	GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers
43	GRI 205: Anti-Corruption	205-1 Operations assessed for risks related to corruption
44		205-2 Communication and training about anti-corruption policies and procedures
45		205-3 Confirmed incidents of corruption and actions taken
46	GRI 206: Anti-Competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
47	GRI 207: Tax	207-1 Approach to Tax
48		207-2 Tax governance, control, and risk management
49		207-3 Stakeholder engagement and management of concerns related to tax
50		207-4 Country-by-country reporting
51	GRI 301: Materials	301-1 Materials used by weight or volume
52		301-2 Recycled input materials used

53		301-3 Reclaimed products and their packaging materials
54	GRI 302: Energy	302-1 Energy consumption within the organization
55		302-2 Energy consumption outside of the organization
56		302-3 Energy intensity
57		302-4 Reduction of energy consumption
58		302-5 Reductions in energy requirements of products and services
59	GRI 303: Water and Effluents	303-1 Interactions with water as a shared resource
60		303-2 Management of water discharge-related impacts
61		303-3 Water withdrawal
62		303-4 Water discharge
63		303-5 Water consumption
64	GRI 304: Biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
65		304-2 Significant impacts of activities, products, and services on biodiversity
66		304-3 Habitats protected or restored
67		304-4 UCN Red List species and national conservation list species with habitats in areas affected by operations

68	GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions
69		305-2 Energy Indirect (Scope 2) GHG emissions
70		305-3 Other indirect (Scope 3) GHG emissions
71		305-4 GHG emissions intensity
72		305-5 Reduction of GHG emissions
73		305-6 Emissions of ozone-depleting substances (ODS)
74		305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
75	GRI 306: Waste	306-1 Waste generation and significant waste-related impacts
76		306-2 Management of significant waste-related impacts
77		306-3 Waste generated
78		306-4 Waste diverted from disposal
79		306-5 Waste directed to disposal
80	GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria
81		308-2 Negative environmental impacts in the supply chain and actions taken
82	GRI 401: Employment	401-1 New employee hires and employee turnover
83		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

84		401-3 Parental Leave
85	GRI 402: Labor/Management Relations	402-1 Minimum notice periods regarding operational changes
86	GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system
87		403-2 Hazard identification, risk assessment, and incident investigation
88		403-3 Occupational health services
89		403-4 Worker participation, consultation, and communication on occupational health and safety
90		403-5 Worker training on occupational health and safety
91		403-6 Promotion of worker health
92		403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
93		403-8 Workers covered by an occupational health and safety management system
94		403-9 Work-related injuries
95		403-10 Work-related ill health
96	GRI 404: Training and Education	404-1 Average hours of training per year per employee

97		404-2 Programs for upgrading employee skills and transition assistance programs
98		404-3 Percentage of employees receiving regular performance and career development reviews
99	GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees
100		405-2 Ratio of basic salary and remuneration of women to men
101	GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken
102	GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
103	GRI 408: Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor
104	GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor
105	GRI 410: Security Practices	410-1 Security personnel trained in human rights policies or procedures
106	GRI 411: Rights of Indigenous Peoples	411-1 Incidents of violations involving rights of indigenous peoples
107	GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessments, and development programs

108		413-2 Operations with significant actual and potential negative impacts on local communities
109	GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria
110		414-2 Negative social impacts in the supply chain and actions taken
111	GRI 415: Public Policy	415-1 Political Contributions
112	GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories
113		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
114	GRI 417: Marketing and Labeling	417-1 Requirements for product and service information and labeling
115		417-2 Incidents of non-compliance concerning product and service information and labeling
116		417-3 Incidents of non-compliance concerning marketing communications
117	GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

Source : GRI (2021)

2.5. Audit Committee Characteristics

2.5.1 Audit Committee Size

Audit committee size refers to the total number of members serving on the audit committee. A larger committee provides more human capital and monitoring capacity. With more members, the committee can distribute oversight responsibilities, engage in deeper deliberation, and reduce individual workload, thereby improving the quality of oversight. Hunjra et al. (2025) found that audit committee size is significantly and positively associated with CSR activities across Asian firms.

In Indonesia, OJK regulations require a minimum of three audit committee members, with at least one financial or accounting expert. A committee exceeding the minimum may signal a higher commitment to governance quality and provide the critical mass needed to scrutinize comprehensive GRI Standards 2021 disclosures.

2.5.2 Audit Committee Meeting Frequency

The frequency with which the audit committee convenes is widely regarded as a proxy for the committee's diligence and level of engagement. More frequent meetings allow the committee to review emerging issues, monitor compliance with disclosure standards, and interact with management and external auditors on a regular basis. Hunjra et al. (2025) confirmed that audit committee activities (measured by meeting frequency) positively and significantly increase CSR activities.

OJK Regulation No.55/POJK.04/2015 mandates that audit committees hold meetings at least once every three months (i.e., a minimum of four meetings per year). Meeting frequency beyond this minimum suggests more proactive governance behavior and is expected to translate into higher CSR disclosure quality.

2.5.3 Audit Committee Expertise

Financial expertise within the audit committee refers to the proportion of members who hold professional qualifications in accounting or finance, or who have substantive experience in financial management, auditing, or accounting oversight.

Such expertise enables committee members to critically evaluate complex disclosures, including those required under GRI Standards 2021, and to engage meaningfully with management and external auditors on matters of reporting quality. Mohammadi et al. (2021) documented that audit committee financial expertise positively affects CSR disclosure in developing market firms.

2.6. Family Ownership as a Moderating Variable

2.6.1 Definition and Conceptual Role of Family Ownership

Family ownership refers to the proportion of total company shares held by founding family members, their descendants, or non-financial private entities such as closely held private companies (PT), that represent concentrated family interests (Utama et al., 2017). In the Indonesian

corporate governance context, family ownership is the most prevalent form of controlling ownership among companies listed on the Indonesia Stock Exchange (IDX), with average ownership concentrations substantially exceeding those observed in developed market economies (Utama et al., 2017)

In the context of this study, family ownership is introduced as a moderating variable rather than an independent variable. Family ownership is theorized to moderate the relationship between audit committee characteristics and CSR disclosure quality because the degree of family control is expected to condition the effectiveness of audit committee monitoring in producing comprehensive sustainability disclosure. This theoretical positioning is consistent with Hunjra et al. (2025) and Qaderi, Ghaleb, Qasem, et al. (2023), who position ownership structure as a conditional factor that shapes how corporate governance mechanisms translate into non-financial disclosure outcomes.

Family ownership represents the proportion of total shares held by founding family members or their descendants. In the Indonesian context, family ownership is a dominant feature of the corporate landscape and is theorised to shape the governance orientation and disclosure practices of firms in distinctive ways. Drawing on agency theory, legitimacy theory, and stakeholder theory, family ownership in this study is expected to act as a positive moderator that strengthens the relationship between audit committee characteristics and CSR disclosure.

2.6.2 Theoretical Basis for Family Ownership as a Moderator

From the perspective of agency theory, concentrated ownership fundamentally alters the nature of the principal-agent relationship. Jensen and Meckling (1976) identify the classic Type I agency problem as the conflict arising from the separation of ownership and control between dispersed shareholders and professional management. Family ownership partially resolves this problem by reducing information asymmetry, family controlling shareholders have closer access to management, stronger incentives to monitor managerial behavior, and greater power to enforce disclosure standards than dispersed minority shareholders. This monitoring advantage theoretically extends to non-financial reporting: family owners concerned with their firm's long-term reputation and social legitimacy are expected to reinforce the audit committee's oversight function by aligning governance objectives with comprehensive CSR disclosure goals.

From the perspective of stakeholder theory, family owners with long-term orientation and reputational concerns are more likely to align their governance priorities with the expectations of a broad range of stakeholders, employees, communities, regulators, and society, rather than pursuing short-term financial gains. This broader stakeholder orientation theoretically amplifies the audit committee's incentive to ensure comprehensive GRI Standards 2021 compliance, as family owners perceive sustainability disclosure as a mechanism for preserving the family's social legitimacy and multigenerational brand value (Sageder et al., 2018). From

the perspective of legitimacy theory, family-controlled manufacturing firms operating under high public scrutiny are particularly motivated to disclose CSR information comprehensively to maintain their social contract with society. Family ownership strengthens this motivation by tying the firm's legitimacy directly to the family's personal reputation, making disclosure failures personally costly to the controlling family in ways that are not experienced by dispersed institutional investors.

2.6.3 Empirical Evidence and Research Gap

Empirical evidence from Asian emerging economies supports the moderating role of family ownership in corporate governance and CSR relationships. Hunjra et al. (2025) examined 736 firms across Asian emerging economies and found that family ownership significantly and positively moderates the relationship between corporate governance attributes, including audit committee characteristics, and CSR. Their findings suggest that concentrated family ownership amplifies the effectiveness of governance mechanisms in producing socially responsible corporate behavior. Qaderi, Ghaleb, Hashed, et al. (2023) similarly found that family ownership conditions the relationship between audit committee leadership attributes and CSR reporting quality in the Jordanian market.

However, these prior studies were conducted in governance contexts that differ significantly from Indonesia. Hunjra et al. (2025) examined a broad cross country sample that may include both one-tier and two-tier

board systems, and their findings are not specific to the Indonesian institutional context. Qaderi, Ghaleb, Hashed, et al. (2023) examined Jordan, which operates under a different regulatory and cultural governance environment. Neither study examined the moderating role of family ownership specifically under GRI Standards 2021, the most current and comprehensive sustainability reporting framework, nor in the context of Indonesia's two-tier board system, which structurally separates family ownership's governance channel from the audit committee channel.

This study addresses this gap by testing whether family ownership moderates the audit committee to CSR disclosure relationship specifically in the Indonesian manufacturing context under GRI Standards 2021, where the two-tier board system creates a structural constraint on the theorized moderating pathway. The findings are expected to either confirm the positive moderating role documented by Hunjra et al. (2025) in the Indonesian institutional context, or to identify the boundary conditions under which family ownership's moderating role is limited, thereby contributing theoretical refinements to the existing literature on ownership structure, corporate governance, and non-financial disclosure quality in emerging Asian markets.

2.7. Prior Research

Table 2. 2. Summary of Previous Research

No	Researcher	Variable	Subject	Result
1.	(Hunjra et al., 2025)	Dependent Variable (Y): CSR (SCV & binary) Independent Variable (X): Board size, board independence, board effectiveness, CEO duality, AC size, AC activity, AC independence Moderating Variable (M): Family Ownership	736 listed nonfinancial firms from Asian emerging economies over the period from 2010 to 2024.	All AC characteristics significantly increase CSR. Family ownership positively moderates governance and CSR relationships.
2.	(Rahayu & Yendrawati, 2025)	Dependent Variable (Y):	66 ASEAN energy sector	Firm size positively and significantly

		CSR disclosure (GRI 2021 index) Independent Variable (X): AC size, Audit Quality, Firm size	firms, 2022–2023.	affects CSR disclosure. AC size and audit quality show no significant effect, suggesting AC functions as regulatory formality rather than active oversight.
3.	(Mohammadi et al., 2021)	Dependent Variable (Y): CSR Independent Variable (X): Board size, Board independence, Managerial ownership, CEO duality, AC size, AC	150 companies listed in Tehran Stock Exchange (2012-2018).	Board size and independence had a significant effect on CSR. Managerial ownership and CEO duality did not have a significant effect on CSR. Audit committee size and independence

		independence, AC financial expertise		had a significant effect on CSR. Financial expertise of audit committee members had a significant effect on CSR.
4.	(Zarefar et al., 2026)	Dependent Variable (Y): Audit Quality Independent Variable (X): Board financial expertise Moderating Variable (M): Family board Control Variable: ROA, Leverage, Firm size, Board size	Indonesian non-financial firms, 2010– 2022.	Board financial expertise improves audit quality. Family board weakens this positive effect, especially during the COVID-19 crisis when family interests dominate governance decisions.

5.	(Qaderi, Ghaleb, Hashed, et al., 2023)	Dependent Variable (Y): CSR Disclosure Independent Variable (X): Audit Committee Leadership Attributes (chair independence, chair expertise, chair tenure, chair gender) Moderating Variable (M): Firm Size, Leverage, Profitability, Firm Age	Non-financial listed firms on the Amman Stock Exchange (Jordan), 2014–2018.	Audit committee chair independence and financial expertise have a significant positive effect on CSR reporting. Chair tenure also positively influences CSR disclosure, while chair gender shows no significant effect.
6.	(El-Deeb et al., 2024)	Dependent Variable (Y): Risk Disclosure Independent Variable (X):	Non-financial listed firms in the Egyptian Stock	Audit committee size, independence, and financial expertise have a

		Audit Committee Characteristics (size, independence, expertise, meetings) Moderating Variable (M): Audit Quality Control Variable: Firm size, Leverage, Profitability	Exchange, 2016–2020	significant positive effect on risk disclosure. Audit quality significantly moderates (strengthens) the relationship between audit committee characteristics and the level of risk disclosure.
7.	(Shu & Chiang, 2020)	Dependent Variable (Y): Corporate Social Performance (CSP) Independent Variable (X): Corporate Governance (board	Listed firms on the Taiwan Stock Exchange, 2010–2015	Board independence and audit committee effectiveness have a significant positive impact on corporate social performance. Ownership

		independence, board size, ownership concentration, audit committee) Control Variable: Firm size, Leverage, ROA		concentration negatively affects CSP, indicating that strong governance mechanisms enhance CSR in Taiwan.
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2.8. Hypotheses Development

The audit committee is a central governance sub-structure responsible for monitoring financial and non-financial disclosures, including CSR. Its effectiveness depends on three primary characteristics: size, meeting frequency, and expertise. Each characteristic reflects a dimension of the committee's capacity to monitor, guide, and ensure high-quality CSR disclosure (Hunjra et al., 2025).

Based on agency theory and stakeholder theory, a larger audit committee provides greater monitoring capacity and broader expertise, which enhances CSR reporting quality and transparency. A committee with more members can cover more ground in reviewing the comprehensive disclosures required by GRI Standards 2021, reducing the likelihood that material items are omitted. Consistent with findings by (Hunjra et al., 2025) and (Mohammadi et al., 2021) this study hypothesizes:

H1: Audit committee size has a significant positive effect on CSR disclosure.

Meeting frequency reflects the audit committee's level of engagement and diligence. Committees that meet more frequently are better positioned to monitor ongoing disclosures, discuss emerging issues with management, and ensure compliance with GRI Standards 2021. Active meetings represent the mobilization of the committee's governance resources in support of disclosure quality. (Hunjra et al., 2025) found positive relationships between meeting frequency and CSR disclosure. Accordingly:

H2: Audit committee meeting frequency has a significant positive effect on CSR disclosure.

Audit committee expertise refers to members with accounting, auditing, or sustainability reporting professional background and competence. Members with relevant expertise are equipped to critically evaluate the completeness and accuracy of CSR disclosures. Their technical knowledge allows them to identify gaps in GRI Standards 2021 compliance, question management assumptions, and demand higher reporting standards. Mohammadi et al. (2021) found evidence linking committee expertise to improved disclosure outcomes. Therefore:

H3 : Audit committee expertise has a significant positive effect on CSR disclosure.

As established in H1, a larger audit committee is expected to positively influence CSR disclosure quality by providing more comprehensive oversight of GRI Standards 2021 compliance. Based on the empirical findings of Hunjra et al. (2025), family ownership is expected to strengthen the positive relationship between audit committee size and CSR disclosure. Rather than undermining the audit committee, family owners motivated by reputational preservation and long term stakeholder relationships are more likely to support a larger committee in its oversight function, thereby amplifying its capacity to drive comprehensive CSR disclosure. Thus:

H4 : Family ownership positively moderates the relationship between audit committee size and CSR disclosure.

Audit committee meeting frequency reflects the level of engagement and diligence with which the committee fulfils its oversight responsibilities. As established in H2, more frequent meetings are expected to positively influence CSR disclosure by enabling regular monitoring of management's sustainability reporting practices and more timely identification of disclosure gaps. Hunjra et al. (2025) found that family ownership strengthens the positive relationship between audit committee activity and CSR outcomes, supporting the view that meeting frequency operates more effectively as a governance mechanism when family owners are aligned with CSR objectives. Utama et al. (2017) further established that in the Indonesian context, ownership structure significantly shapes the orientation

and effectiveness of corporate governance mechanisms, suggesting that the productivity of audit committee meetings in terms of CSR disclosure outcomes is influenced by the nature of the controlling shareholder. Therefore, this study hypothesizes:

H5 : Family ownership positively moderates the relationship between audit committee meeting frequency and CSR disclosure.

Audit committee financial expertise enables members to critically evaluate the completeness and accuracy of CSR disclosures, identify gaps in GRI Standards 2021 compliance, and hold management accountable for material omissions. As established in H3, a higher proportion of financially expert members is expected to positively influence CSR disclosure quality. From an agency theory perspective, family owners with concentrated shareholdings have stronger incentives than dispersed shareholders to monitor managerial behavior and ensure that governance mechanisms function effectively in protecting their long-term investment (Utama et al., 2017). Sahasranamam et al. (2020) confirmed that concentrated ownership with a long-term orientation supports greater CSR engagement in emerging markets, while Hunjra et al. (2025) empirically established that family ownership strengthens audit committee monitoring effectiveness in shaping CSR activities across Asian emerging economies. Therefore, this study hypothesizes:

H6 : Family ownership positively moderates the relationship between audit committee expertise and CSR disclosure.

2.9. Conceptual Framework

The conceptual framework of this study illustrates the relationships among the independent, moderating, dependent, and control variables as follows:

