Jurnal ASET
(Akuntansi Riset)

Journal homepage: http://ejournal.upi.edu/index.php/aset/

The Role of Green Investment Mediation: Governance and Sustainable Performance

*Balqis Laurel Zuharah[1], Aviani Widyastuti[2]**

[1,2]Accounting Department, Faculty of Economics and Business, Universitas Muhammadiyah Malang, Malang, Indonesia

*Correspondence e-mail: avianiw@umm.ac.id

ABSTRACT

This research examines the impact of Board Size (BoD Size) and Audit Committee Meetings (ACM) on Indonesian non-financial companies' ESG disclosure, incorporating Green Investment (GI) as a mediator. Panel-data approach is used in this study with 145 non-financial companies listed on the Indonesia Stock Exchange during 2016–2024, yielding 1,160 observations. This study also applies the Fixed Effects Model (FEM) as the primary estimation method in the panel data analysis. The empirical results reveal that firms with larger boards and more active audit committees tend to disclose ESG information more extensively, while GI positively influences ESG disclosure. The analysis reveals weak evidence regarding GI's role in transmitting the effect of BoD Size to ESG disclosure. Furthermore, GI fails to act as a mediator in the relationship between ACM and ESG transparency. These findings suggest that larger boards may support sustainability reporting partly through green investment initiatives, although the effect is relatively weak, while audit committee activity primarily enhances ESG disclosure through direct governance and reporting oversight mechanisms. Ultimately, this study emphasizes that robust corporate governance serves to meet stakeholder information needs while enhancing the accountability of sustainability reporting. Furthermore, it demonstrates that governance is a key driver for ESG disclosure among Indonesian non-financial firms. This study uses the Green Investment mechanism as a mediator linking governance and ESG performance.

ARTICLE INFO

Article History:
Submitted/Received 05 Jan 2026
First Revised 04 Feb 2026
Accepted 03 Apr 2026
First Available online 02 May 2026
Publication Date 01 Jun 2026

Keywords:
Audit Committee Meetings,
Board Size,
Governance,
Green Investment,
Sustainable Performance.

1. INTRODUCTION

Stakeholders increasingly expect companies to demonstrate accountability for environmental and social impacts, particularly amid rising concerns regarding climate change and governance-related challenges. In response to these developments, sustainability reporting has expanded beyond traditional financial reporting, and ESG disclosure has emerged as an important accounting mechanism for enhancing corporate transparency, accountability, and stakeholder decision-making (Talha, 2026). Global awareness of environmental issues is growing, driving a sharp increase in interest in ecological investment (Farilla and Abiprayu, 2025). Issues of climate change, social inequality, and weak governance are prompting companies to integrate ESG considerations to mitigate risks and send positive signals to financial markets (Hendriarto et al., 2025; Septiani et al., 2025). In addition, ESG practices not only improve investors' reputation and trust but also improve financial performance by reducing operational risks, increasing efficiency, and strengthening relationships with stakeholders (Febriantoko et al., 2025). ESG is a framework that encourages sustainable business practices. In practice, several company characteristics also influence the extent to which they disclose ESG information. These components include the Company's size, which reflects the scale of its operations, the government's ownership status, and the presence or absence of a CSR committee within the Company (Oktafiyani et al., 2024).

Several studies show that Board Size has a significant positive correlation with ESG disclosures based on research phases (Zachary and Fuad, 2025). The size of the BoD positively affects environmental and social disclosure (Nicolo et al., 2023). The effectiveness of the board and audit committee, and the presence of financial/accounting experts on the committee, can ultimately drive improvements in ESG performance (Pernamasari and Chariri, 2024). A higher frequency of ACM is significantly and positively associated with enhanced ESG disclosure practices (Anggraini and Helmi, 2025). Conversely, alternative empirical evidence suggests a negative association between board size and ESG performance. The BoD's growing size risks disregarding ESG factors in decision-making and policy implementation. This is triggered by the emergence of communication barriers and more complex coordination among board members (Erben et al., 2024). Likewise, ACM negatively affects ESG, as noted by previous researchers. The Frequency of ACM Leads to Significant Negative Outcomes for the Quality of ESG Disclosures (Cahyani et al., 2024).

The inconsistency in the influence of BoD and ACM on ESG suggests a mediating mechanism, such as Green Investment (GI). Green investment (GI) is a manifestation of a company's concrete commitment to resource conservation and renewable energy (Mentari and Dewi, 2023). Larger boards have been shown to provide stronger resource support and oversight for green innovation (Zhao et al., 2022). Therefore, green investment and green financing serve as strategic catalysts that significantly improve ESG performance and drive corporate operations toward greater sustainability (Cao et al., 2023; Zheng et al., 2025).

The theoretical basis used in this research refers to Stakeholder Theory (Freeman, 1984), which emphasizes that corporate responsibility is not limited to shareholders alone, but includes all stakeholders. ESG disclosure serves as a mechanism to demonstrate corporate responsibility to stakeholders (Itan et al., 2025). Proper management of stakeholder needs can be achieved by aligning corporate governance policies and structures with ESG programs (Adardour et al., 2025).

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

This study extends the academic discourse on governance-sustainability dynamics while delivering practical guidance to market participants and regulators on leveraging governance bodies and GI to bolster ESG transparency. Focusing on the Indonesian context, this study is motivated by the mandate of POJK No. 51/2017, which requires business entities to implement sustainable finance practices and to report on comprehensive social and environmental responsibility. Within this regulatory framework, the composition of the BoD and Audit Committee is a key determinant of investment commitments and the credibility of companies' ESG disclosures in the capital market.

2. METHODS

This This study uses the context of a developing country, namely Indonesia. A total of 1,160 observations were gathered over nine years (2016–2024) from 145 non-financial enterprises on the Indonesia Stock Exchange. The panel data analysis method was chosen in this study because it controls for unobserved heterogeneity across the entire sample of non-financial companies. By combining cross-sectional and time-series dimensions, this approach effectively minimizes the risk of omitted variable bias.

This study utilizes Environmental, Social, and Governance (ESG) performance as its primary dependent variable. ESG is a representation of the three pillars of sustainability that assess how a company manages its environmental impact, social responsibility, and governance transparency and ethics (Yudiansyah and Burhany, 2025). In this case, ESG is measured using ESG disclosure scores.

Table 1. Definitions and measurement of variables

Variable	Definition / Measurement	Source
ESG	ESG is a representation of the three pillars of sustainability that assess how Companies manage environmental impacts (Environmental), social responsibility (Social), and transparent and ethical governance (Governance) (Yudiansyah and Burhany, 2025).	Bloomberg
BoD Size	BoD Size is a measurement of the number of members of the Board of Directors in a company (Akmal and Shara, 2025).	Bloomberg
ACM	ACM is a meeting organized by the Company's audit committee periodically.	Bloomberg
GI	Green Investment can be said to be a form of investment that has Commitment to the conservation of natural resources and activities other eco-friendly (Mentari and Dewi, 2023).	Bloomberg
ROI	ROI is a profitability ratio that measures a company's ability to generate profit from the total assets or investments used.	Bloomberg
LN Firm Size	Firm Size is the size of the Company.	Bloomberg
DAR	DAR is a leverage ratio that measures how much of a company's total assets are financed by debt.	Bloomberg

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This study evaluates BoD Size and ACM as the main independent variables. BoD size refers to the total number of individuals serving on a firm's board of directors (Akmal and Shara, 2025). To quantify the BoD size variable, this study utilizes the total headcount of individual board members serving the corporation during the observation period (Wang and Liang, 2025). Audit Committee Meetings (ACM) denote the regularly scheduled sessions conducted by a firm's designated audit committee. The frequency of ACM is operationalized by quantifying the total number of sessions conducted within a given fiscal year (Sijabat and Tamba, 2021). In this research, Green Investment (GI) also serves as a mediating variable. GI is defined as a company’s efforts to address environmental problems by minimizing the negative environmental impacts of its business activities (Fathiyah et al., 2025). GI is measured by the turnover allocated to resource-efficient initiatives (Hasan and Al-Najjar, 2024). This study also included control variables: Return on Investment (ROI), LN Firm Size, and Debt-to-Asset Ratio (DAR). The table is shown in **Table 1**.

3. RESULTS AND DISCUSSION

3.1. Statistic Descriptive

Tabel 2 shows that the average value of Environmental disclosure was 17.43 with a standard deviation of 19.80; Social disclosure, 18.84 with a standard deviation of 15.86; and Governance disclosure, 49.11 with a standard deviation of 34.41, indicating a fairly high variation in sustainability disclosure. The maximum score of 77.14 suggests that some companies have implemented ESG practices more comprehensively. The BoD Size variable has an average of 3.67, suggesting that some companies have relatively small boards. While ACM has an average of 4.71, they have a high standard deviation of 8.68 and a maximum score of 80. This explains that some companies hold intensive ACM even though most hold fewer meetings.

Table 2. Descriptive statistic

Variable	N	Red	Std. Dev	Min-Max
ESG Disclosure	1.160	28,47351	21,50763	0-77,14516
Env_Disclosure	1.160	17,43569	19,80413	0-81,27454
Soc_Disclosure	1.160	18,84749	15,86944	0-64,44982
Gov_Disclosure	1.160	49,11473	34,41791	0-96,1168
Board Size	1.160	3,673276	2,914835	0-17
AC Meetings	1.160	4,712069	8,689735	0-80
ROI_a	1.160	0,3012713	0,7371815	-8,224-8,7884
Firm Size	1.160	2.10E+10	4.22E+10	0-4.46e+11
LN_Firm Size	1.160	20,41193	5,611996	-4,422849-26,82286
DAR_	1.160	0,2549946	0,2181958	0-2,003702

Source: Stata Software

The Company's profitability exhibits significant variability, as evidenced by the ROI control variable, which has an average score of 0.30 and a standard deviation of 0.73. The ROI range of -8.22 to 8.78 indicates that some companies experience large losses, while others experience high profits. With a mean of 20.41 and a standard deviation of 5.61, the LN Firm Size variable indicates significant variation in corporate size across the dataset. The larger the Company, the

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

more likely it is to have the resources to conduct ESG disclosures. The DAR averages 0.25, indicating that most companies are financed with moderate debt levels.

ESG disclosure shows a positive correlation with BoD Size (0.7749), indicating that companies with larger board sizes tend to have higher ESG disclosure. A positive correlation was also seen between ESG disclosure and ACM (0.3991). However, the relationship between GI (LN GI) and ESG disclosure is negative (-0.0444). This means that GI has not made a direct contribution to ESG disclosure. The variable kongtrol ROI has a positive correlation with ESG disclosure (0.0863). Although this relationship is weak, it still indicates that more profitable companies tend to have slightly higher levels of ESG disclosure. LN Firm Size shows a fairly strong correlation with ESG disclosure (0.2698), indicating that larger companies are more active in ESG disclosure. Meanwhile, DAR shows a negative correlation with ESG disclosure (-0.0128), suggesting that the Company's debt is not directly related to ESG disclosure. The table is shown in **Table 3**.

Table 3. Correlation pearson

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ESG Disclosure (1)	1,000	0,7749	0,3991	-0,0444	0,0863	0,2698	-0,0128
BoD Size (2)	0,7749	1,000	0,3772	-0,0887	0,0512	0,2985	-0,0251
ACM (3)	0,3991	0,3772	1,000	-0,0814	0,0044	0,0565	0,1239
Ln GI (4)	-0,0444	-0,0887	-0,0814	1,000	0,253	-0,1179	-0,0481
ROI_a (5)	0,0863	0,0512	0,0044	0,0253	1,000	-0,0211	0,0198
LN_Firm Size (6)	0,2698	0,2985	0,0565	-0,1179	-0,0211	1,000	0,1474
DAR_ (7)	-0,0128	-0,0251	0,1239	-0,0481	0,0198	0,1474	1,000

Source: Stata Software

All variables have a VIF value below the general tolerance limit of 10. To avoid multicollinearity affecting the regression model's estimates, the relationships among variables can be analyzed without risk of distortion from highly correlated variables. A value of 1/VIF in the range of 0.76–0.99 indicates regression stability and ensures that the governance and control variables are well independent. The table is shown in **Table 4**.

Table 4. Variance Inflations Factor (VIF)

Variable	VIF	1/VIF
BoD Size	1,31	0,763592
ACM	1,20	0,830513
LN_Firm Size	1,15	0,870638
DAR_	1,06	0,947487
Ln GI	1,02	0,978212
ROI_a	1,01	0,993926

Source: Stata Software

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 5. Hausman test result

Variable	FE (b)	RE (b)	Diff (b)	Std. Error
BoD Size	6,485671	6,141801	0,3438699	0,095502
ROI_a	0,926702	1,036063	-0,109361	0,091121
LN_Firm Size	0,428099	0,3084423	0,1196563	0,060548
DAR_	3,500961	2,004867	1,495094	1,504767

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Ho: difference in coefficients not systematic
chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 20.89
Prob>chi2 = 0.0003

Source: Stata Software

In terms of coefficient values, BoD Size (0.3439), LN Firm Size (0.1197), and DAR (1.4951) exhibit positive relationships with the dependent variable, whereas ROI presents a negative coefficient of -0.1094. This value indicates that the variables exhibit non-random differences in estimates between Fixed Effects (FE) and Random Effects (RE). The companies in the sample differ in governance structure, size, and financial condition, and these differences cannot be assumed to be random. In other words, FE is better at capturing the heterogeneity among companies. The table is shown in **Table 5**.

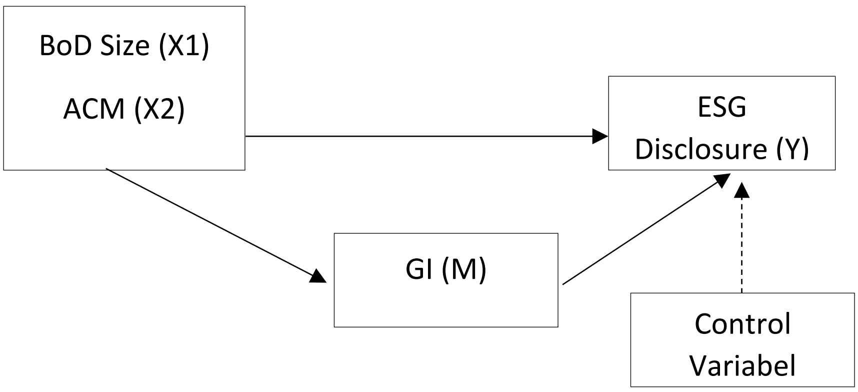

Figure 1. Conceptual Framework.

Figure 1 depicts the research model in this study. As presented in the initial panel of **Table 6**, a significant positive relationship is observed between BoD Size and ESG disclosure, with a coefficient value of 6.486 ($p < 0.001$). The larger the board, the stronger the Company's push to increase ESG disclosure. However, BoD Size does not have a significant influence on Green Investment (LN GI). As detailed in the second panel of **Table 7**, ACM also exhibits a positive and highly significant effect on ESG disclosure ($\beta = 1.245$, $p < 0.001$). The more often the audit committee meets, the higher the quality of oversight of ESG disclosure transparency. The same thing happened in the second panel: the ACM did not have a significant effect on Green Investment.

The mediation analysis produced different levels of evidence for the mediating role of GI. For the BoD Size model, BoD Size has a significant positive effect on ESG Disclosure ($\beta = 6.486$, $p < 0.001$), while its effect on GI is not statistically significant ($\beta = -0.334$, $p > 0.05$). GI, however, positively affects ESG Disclosure in the full model ($\beta = 0.125$, $p < 0.05$). The Sobel test yields an

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

indirect effect of -0.0417 with a z-value of -1.73 and a p-value of 0.083. The indirect pathway demonstrates significance only at the 10% level, falling short of the standard 5% benchmark. This indicates that the role of GI in transmitting the influence of BoD size onto ESG disclosure is present but marginal.

In contrast, the mediation effect is not supported in the ACM model. ACM has a significant positive effect on ESG Disclosure (β = 1.245, p < 0.001), but its effect on GI is not statistically significant (β = -0.144, p > 0.05). Furthermore, GI does not significantly affect ESG Disclosure in the full model (β = 0.087, p > 0.05). The Sobel test reports an indirect effect of -0.0125 with a z-value of -1.35 and a p-value of 0.178, indicating that it is not statistically significant. Therefore, GI does not mediate the relationship between ACM and ESG Disclosure.

Taken together, our analysis reveals that while GI plays a marginal role in transmitting the effects of board size on ESG disclosure, it fails to serve as a bridge between ACM frequency and corporate sustainability reporting. These results demonstrate that corporate governance structures primarily exert a direct influence on ESG disclosure, rather than routing their impact through strategic environmental financing choices. The ROI control variable did not have a significant effect on ESG disclosure, indicating that profitability does not determine surprise reporting. However, ROI has a considerable influence on GI, meaning that companies with higher profitability are more likely to implement it, though the effect is not always strong. Firm size exerts a statistically significant positive effect on ESG disclosure. This suggests that large-scale enterprises are more heavily engaged in sustainability reporting, driven primarily by their substantial resource capacity.

In contrast to ROI, Firm Size does not have a significant effect on GI. So, Firm Size does not affect the Company's decision in implementing GI. The same is true for DAR, which has no significant influence on ESG disclosure or GI.

Table 6. Fixed effect regression result panel 1

Variable	ESG Model (1) X>-Y	LnGI Model (2) X>-M	ESG(M) Model (3) M>-Y	ESG Full Model (4) X, M>-Y	R^2 (within)	N	Significance	Mediation
BoD Size (X)	6.486* (0.195)	-0.334 (0.167)		6.527* (0.194)	0.5589	1,16	p<0.001 (Model 1 and 4)	Not supported at 5%, marginal at 10%.
Ln GI (M)			0.048 (0.053)	0.125* (0.037)	0.0642	1,16	p<0.001 (Model 3)	
ROI_a	0.927 (0.481)	0.591 (0.411)	1.852 (0.695)	0.853† (0.478)				
LN_Firm Size	0.428* (0.112)	-0.016 (0.096)	1.248* (0.158)	0.430* (0.111)				
DAR_	3.501 (2.764)	-1.402 (2.366)	-8,332 (3,969)	3.676 (2.750)				
_cons	-5.260* (2.238)	12,173* (1,916)	4.070 (3.272)	- 6,781 (2,270)				

Prob>F: Model(1)=0.0000; Model(2)=0.1739; model(3)=0.0000; Model(4)=0.0000.
Indirect (Sobel): a×b = (-0.334)×(0.125)= -0.0417; SE=0.0241; z= -1.73, p=0.084 (not significant)

Source: Stata Software

Table 7. Fixed effect regression result panel 2

Variable	ESG Model (1) X_2>-Y	LnGI Model (2) X_2>-M	ESG(M) Model (3) M>-Y	ESG Full Model (4) X_2, M>-Y	R^2 (within)	N	Significance	Mediation
ACM (X_2)	1.245* (0.106)	-0.144 (0.067)		1.258* (0.106)	0.1782	1,16	p<0.001 (Model 1 and 4)	Not supported
Ln GI (M)			0.048 (0.053)	0.087 (0.050)	0.0642	1,16	p<0.001 (Model 3)	
ROI_a	1.833 (0.652)	0.548 (0.410)	1.852 (0.695)	1.785 (0.652)				
LN_Firm Size	1.183* (0.148)	-0.050 (0.093)	1.248* (0.158)	1.188* (0.148)				
DAR_	-11,672 (3,736)	-0.410 (2.352)	-8,332 (3,969)	-11,637 (3,732)				
_cons	0.875 (3.032)	12,098* (1,909)	4.070 (3.272)	-0.183 (3.089)				
Prob>F: Model(1)=0.0000; model(2)=0.1371; model(3)=0.0000; Model(4)=0.0000.								
Indirect (Sobel): a×b=(-0.144)×(0.087)= -0.0126; SE=0.00926; z= -1.36, p=0.174 (not significant)								

Source: Stata Software

3.2 Discussion

This study shows that Board Size and Audit Committee Meetings are positively associated with ESG. The average Board Size of 3.67 and a standard deviation of 2.91 indicate that the Board Size in the sample is relatively small. A smaller Board of Directors is an efficient governance approach to improve decision-making and value creation Tampakoudis et al., (2022), in contrast to Yin and Xu (2025), who argue for a negative relationship between Board Size and ESG. This is possible because the Agency Theory used in the study found that companies with large boards of directors exhibit greater ESG controversy due to challenges in coordination and oversight. However, this study aligns with (Al-Sarraf et al., 2025), who found a positive and significant association between Board Size and ESG performance. The positive association between board size and ESG disclosure is also in line with Rahmawati and Kartika (2023), who argue that larger boards provide broader oversight and stakeholder representation, thereby encouraging more extensive sustainability disclosure practices. From a stakeholder perspective, larger boards are better positioned to accommodate diverse stakeholder interests and respond to increasing demands for sustainability-related information.

Meanwhile, Audit Committee Meetings have an average of 4.71 and a standard deviation of 8.69, indicating that some companies conduct them more frequently. More frequent Audit Committee meetings can lead to greater oversight by allowing the Audit Committee to devote more time to fulfilling its duties (Cahyani and Arifin, 2024). The more meetings are held, the better the monitoring will be carried out (Imelda et al., 2025). This finding is consistent with Baroroh et al. (2025), who demonstrate that audit committees contribute to the quality of sustainability reports by strengthening oversight and ensuring that sustainability-related information meets stakeholder expectations. These results suggest that audit committees enhance ESG disclosure primarily through reporting quality and transparency mechanisms rather than through influencing environmental investment decisions (Baroroh et al., 2025).

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

The results indicate that Green Investment plays a limited mediating role in the relationship between corporate governance and ESG Disclosure. Green Investment provides only marginal evidence of mediating the effect of Board Size on ESG Disclosure ($p < 0.10$), suggesting that larger boards may promote sustainability reporting by encouraging greater responsiveness to stakeholder expectations. From a stakeholder perspective, firms are expected to balance the interests of multiple constituencies and maintain legitimacy by responding to stakeholder expectations through transparent reporting practices (Freeman, 1984; Freeman et al., 2021). Larger boards tend to provide greater diversity of expertise and stakeholder representation, thereby enhancing the firm's ability to identify and respond to sustainability-related concerns (EmadEldeen et al., 2025). However, the insignificant relationship between Board Size and Green Investment suggests that firms may address stakeholder demands directly through enhanced ESG disclosure without necessarily increasing green investment activities (Lokuwaduge and Heenetigala, 2017). Therefore, Green Investment only weakly transmits the influence of Board Size on ESG Disclosure.

Meanwhile, the Audit Committee plays a strong role in ensuring the company's compliance with reporting standards. Audit Committee meetings enable a more in-depth evaluation of report quality and the transparency of information presented to stakeholders (Gebrayel et al., 2018). However, decisions regarding Green Investment generally fall within the purview of management and the Board of Directors and are therefore not a primary focus of Audit Committee discussions (Deng et al., 2024). This condition explains why Green Investment is unable to bridge the gap in the Audit Committee Meetings' influence on ESG.

Thus, Stakeholder Theory is relevant to this study. Good corporate governance is a system for organizing and managing a company that creates value for Stakeholders (Aprilyana and Sari, 2025). Good corporate governance practices also increase trust among Stakeholders (Prastika et al., 2025). Companies that apply good governance principles tend to implement social responsibility more effectively (Aryanta et al., 2025). The findings are further supported by Gusrianti and Violita (2021), who report that board characteristics are positively associated with ESG disclosure. This evidence reinforces the argument that governance structures play an important role in facilitating corporate accountability and transparency toward stakeholders through sustainability reporting.

This study also conducted an additional analysis by examining each component of E, S, and G. The analysis showed that board size had a highly significant positive effect on all three disclosure pillars (Environment, Social, and Governance), with a p-value of $p< 0.01$. This finding suggests that larger boards can provide broader knowledge and oversight resources, thereby increasing corporate transparency in accordance with the principles of stakeholder theory. Interestingly, green investment consistently served as a significant mediator of board size's influence on all ESG dimensions (p-values: Env 0.018; Soc 0.001; Gov 0.002). This confirms that green investment serves as a strategic bridge or tangible evidence of board commitment, which is then translated into better quality sustainability disclosure in the public eye.

The findings extend current sustainability accounting research by showing that governance attributes influence ESG disclosure primarily through stakeholder-oriented transparency mechanisms rather than through environmental investment decisions. From a Stakeholder Theory perspective, the findings suggest that effective governance structures improve corporate responsiveness to stakeholder expectations by promoting greater transparency and accountability through sustainability reporting. While green investment shows only marginal evidence of mediating the relationship between board size and ESG disclosure and does not mediate the effect of audit committee meetings, the results indicate that governance mechanisms primarily influence ESG disclosure through direct stakeholder-oriented reporting practices rather than through environmental investment decisions.

Table 8. Additional analysis

Environment

Variable	Effects on Env_Disclosure (Y2)	Effects to Ln GI (M)	Indirect Effects (a×b)	Significant Mediation
Board Size	4.1546 (0.235)***	-0.3336 (0.167)**	-0.0349	**Yes (p = 0.018)**
ROI_a	1.1452 (0.581)**	0.5914 (0.411)	0.0329	No (p = 0.151)
LN_Firm Size	0.3195 (0.135)**	-0.0155 (0.096)	-0.0008	No (p = 0.871)
DAR_	4.0426 (3.342)	-1.4017 (2.366)	0.0780	No (p = 0.554)
_cons	-5.7231 (2.706)**	12.1731 (1.916)***		

Source: Stata Software

Social

Variable	Effects on Soc_Disclosure (Y3)	Effects to Ln GI (M)	Indirect Effects (a×b)	Significant Mediation
Board Size	4.2978 (0.165)***	-0.3336 (0.167)**	-0.0371	**Yes (p = 0.001)**
ROI_a	0.7410 (0.407)*	0.5914 (0.411)	0.0332	No (p = 0.151)
LN_Firm Size	0.2908 (0.095)**	-0.0155 (0.096)	-0.0009	No (p = 0.871)
DAR_	2.7889 (2.342)	-1.4017 (2.366)	0.0780	No (p = 0.554)

Source: Stata Software

Governance

Variable	Effects on Gov_Disclosure (Y4)	Effects to Ln GI (M)	Indirect Effects (a×b)	Significant Mediation
Board Size	11.0191 (0.277)***	-0.3336 (0.167)**	-0.0545	**Yes (p = 0.002)**
ROI_a	0.8973 (0.685)	0.5914 (0.411)	0.0349	No (p = 0.151)
LN_Firm Size	0.6822 (0.159)***	-0.0155 (0.096)	-0.0010	No (p = 0.871)
DAR_	3.7415 (3.938)	-1.4017 (2.366)	0.0780	No (p = 0.554)

Source: Stata Software

DOI: https://doi.org/10.17509/jaset.v18i1
p- ISSN 2086-2563 e- ISSN 2541-0342

The findings also provide empirical support for contemporary sustainability reporting frameworks, such as IFRS S1, IFRS S2, and GRI Standards, which emphasize the importance of governance in ensuring the quality and credibility of sustainability disclosures. Furthermore, the results have implications for the emerging field of ESG assurance, suggesting that governance effectiveness may serve as an important indicator of the reliability and transparency of ESG information disclosed by firms. Overall, this study highlights the role of corporate governance in addressing stakeholder information needs and strengthening the accountability function of sustainability reporting. The table is shown in **Table 8**.

4. CONCLUSION

This study concludes that BoD size and ACM frequency have a significant positive effect on ESG disclosure among non-financial companies in Indonesia, supporting the relevance of Stakeholder Theory in explaining how corporate governance mechanisms enhance transparency and accountability in sustainability reporting. The findings suggest that companies with stronger governance structures are better positioned to respond to stakeholder expectations by providing more comprehensive ESG disclosures, thereby strengthening stakeholder trust and corporate legitimacy.

Regarding the mediating mechanism, GI provides only marginal evidence that GI mediates the relationship between BoD size and ESG disclosure, suggesting that larger boards may facilitate sustainability-oriented initiatives. However, this influence is not strongly transmitted through environmental investment decisions. In contrast, GI does not mediate the relationship between ACM and ESG disclosure. This finding suggests that audit committees contribute to ESG disclosure primarily through their oversight of reporting quality, transparency, and accountability rather than through influencing green investment decisions. Overall, the results indicate that corporate governance mechanisms affect ESG disclosure predominantly through direct stakeholder-oriented reporting practices. Despite its contributions, this study has several limitations. First, the sample is limited to non-financial companies in Indonesia, which may restrict the generalizability of the findings. Second, ESG disclosure measurements rely on sustainability reporting practices that may vary in quality and completeness across firms. Third, the limited mediating role of GI suggests that other organizational, strategic, or governance-related mechanisms may explain how corporate governance influences ESG disclosure. Therefore, future studies are encouraged to examine alternative mediating variables, explore the moderating roles of board gender diversity and political connections, conduct comparative analyses across sectors, and investigate the environmental, social, and governance dimensions separately to understand better the pathways through which governance mechanisms influence ESG reporting.

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