International Journal of Social Science and Economic Research

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

THE IMPACT OF AUDIT COMMITTEE'S FINANCIAL EXPERIENCE ON SUSTAINABILITY PERFORMANCE DISCLOSURE

Mohamed Mahmoud Elhoushy[1], Mohamed Khamis Zaytoun[2] and Ahmad Salama Elshamy[3]

[1,2]Associate Professor of Accounting- Arab East College Riyadh, Saudi Arabia

[1,2]Associate Professor of Accounting- Damanhour University Egypt

[3]Lecturer of Accounting- Damanhour University, Egypt

DOI: 10.46609/IJSSER.2023.v08i11.003 URL: https://doi.org/10.46609/IJSSER.2023.v08i11.003

Received: 23 October 2023 / Accepted: 6 November 2023 / Published: 11 November 2023

ABSTRACT

This research aims to find practical evidence on the extent to which there is a relationship between the audit committee financial experience and the sustainability performance disclosure, by conducting an applied study on a sample of joint stock companies listed on the Egyptian Stock Exchange during the period from 2015 to 2018.

Forming audit committees is related to the goal of achieving credibility in financial reports, reducing fraudulent practices, and profits management. The lack of financial experience affects the perceived credibility of financial reports on the part of the external auditor. There is a positive impact of financial experience on the level of disclosure of sustainable performance (in its various dimensions) in terms of the nature of the information and the extent to which it is subject to assurance and certification services by a third party. The results of the research hypothesis test also indicate that there is a statistically significant positive effect of financial experience on governance disclosure, which indicates that there is a positive effect of financial experience on the quality of the accounting report in reference to the governance role exercised by the audit committee in preparing financial reports.

Keywords: Audit Committee, Financial Experience, Sustainability Performance Disclosure.

1. Introduction

Sustainable development appeared as a concept in the 1987 Brundtland Report issued by the World Commission on Development and Environment. The report defined sustainable development as development that meets the needs of current generations without compromising

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

the ability of future generations to meet heir needs; this concept focuses on themacro level (Aras and Crowther, 2009). As for sustainability directs the organization towards the long term in a way that ensures the achievement of its strategic goals, which are survival, growth, and continuity. While sustainability performance refers to the role and responsibility of the company towards society in the long term. the responsibility of companies towards sustainable development is represented by adherence to a number of standards, including the three aspects of sustainable development are: economic aspects: which express the extent to which the company contributes to achieving the well-being of society by providing goods and services, environmental aspects: which represent the company carrying out its activities without harming the environment, and social aspects: which represent the extent of the contribution to achieving community goals and employing workers. In addition, eliminating poverty, ignorance and disease (IFAC, 2012).

Accounting research (Jizi, 2017; Hussain et al. 2018; Longoni and Cagliano, 2018) has been concerned with the disclosure of non-financial information, including sustainability issues that arenot covered by financial statements and reports. Sustainability performance disclosure or sustainability reports aim to provide information to owners interests in the economic, social and environmental impacts of companies' performance with respect to a specific period of time, as the scope of disclosure expands to include issues that go beyond the company's profits and financial position to extend to describing how profits are achieved in addition to traditional financial statements (García-Sánchez and Martínez-Ferrero 2018). Disclosing sustainability performance can enhance corporate reputation (Odriozola and Baraibar-Diez, 2017) and improve investors' perception when evaluating financial performance (Torugsa and O'Donohue, 2012). Thus, this information includes future profitability and predicts future returns (Luo and Bhattacharya, 2006; Flammer, 2013).

In the same context, the importance of disclosing sustainability performance in arranging governance priorities has increased (Hussain et al., 2018). A key aspect of the governance process within companies and markets is the measurement and disclosure of important information (Ioannou and Serafeim, 2017). Audit committees are one of the most important corporate governance mechanisms and the most closely linked to the disclosure process and preparing financial reports for companies. Audit committees are considered an independent oversight unit that aims to ensure the accuracy of companies' disclosures, whether financial or non-financial disclosures (Al-Hamoud, et al., 2018). The characteristics of the audit committee are linked to the quality and quantity of accounting disclosure, as the audit committee is an important mechanism for increasing the company's transparency and encouraging management to disclose more information (Maxwell and Lyon, 2011). it contributes to reducing agency costs and conflicts of interest between managers and shareholders, the problem of information

ISSN: 2455-8834
Volume:08, Issue:11 "November 2023"

asymmetry and uncertainty associated with information through the provision of financial reporting oversight (Palepu and Healy, 2001); Management's discussion of some important issues related to reporting, such as the clarity and adequacy of disclosure, serves as an accountability mechanism that ensures the quality of disclosure (Solomon and Brennan, 2008). Therefore, the current study seeks to find practical evidence on the impact of the financial experience of audit committees on the disclosure of sustainability performance by answering the following main question: Does the financial experience of the audit committee affect the disclosure of sustainability performance?

This research aims to find practical evidence on the extent to which there is a relationship between the financial experience of the audit committee and the disclosure of sustainability performance. This is done by conducting an applied study on a sample of joint stock companies listed on the Egyptian Stock Exchange during the period from 2015 to 2018.

The research derives its scientific importance from moving in the direction of research that dealt with disclosure of corporate sustainability performance by studying the characteristics Impact of the audit committee on sustainability performance. The practical importance is to examine the reasons for the different levels of disclosure of sustainability performance by companies, the reasons for the increasing trend of companies towards sustainable reporting, the reflection of this on investors' decisions in the stock market, and to demonstrate the benefits that companies can achieve by disclosing sustainable performance from the perspective of a number Among the theories that all reflect on reducing pressures and increasing stakeholder confidence and company value in the long term, in line with the directions of supervisory and regulatory bodies during the current stage, which is to include in the corporate governance guide some aspects of social and environmental responsibility and issuing the Egyptian Sustainability Index for social and environmental responsibility and governance. Accordingly, the most important motivation for the research is that verifying and disclosing the effects of audit committee characteristics on sustainability is beneficial to companies, regulatory bodies, and investors alike.

To achieve the objective of the research, the remainder of it will be organized as follows : First; theoretical framework and hypothesis development .Second; the research methodology. Third; testing and discussion of research hypotheses. Finally; discussion and conclusion.

2. Theoretical Framework and Hypothesis Development

Many studies have specifically tested the impact of audit committee characteristics as one of the corporate governance mechanisms on financial disclosure, including Ahmed (2011) and Abu Ghanima (2013), or voluntary disclosure such as Arafa and Abdel Hakim (2013); and Madi et al. (2014), or social disclosure such as Al-Hamoud, et al. (2018). Ahmed (2011) aimed to determine

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

the role of the audit committee in improving the financial reports quality in Egypt. The results showed a positive effect of the independence of the audit committee members, the size of the audit committee, and the financial experience of its members on the quality of financial reports, and a non-significant effect of the number of times the committee meets on the financial reports quality. Also, Abu Ghanimah (2013) report the impact of the characteristics of the audit committee (independence, experience, and reputation of audit committee members) in improving the quality of accounting information and reducing earnings management practices, which is reflected in determining the fair value of shares, and revitalizing Egyptian Exchange in light of the application of corporate governance.

Arafa and Abdul Hakim (2013) aimed to examine the impact of the quality of the audit committee on the level of voluntary disclosure in Saudi joint stock companies by applying it to a sample of (100) companies registered on the Saudi Exchange during the year (2012). The results indicate a low percentage of voluntary disclosure (it reached 22.51%), and also indicate a significant effect of the independence of the committee members and the number of times it meets, while there is no significant effect of the number of committee members and their experience on the level of voluntary disclosure. Also, Madi et al. (2014) indicates that there is a positive, statistically significant correlation between some characteristics of the audit committee (such as the independence of the audit committee, the size of the audit committee) and the voluntary disclosure of companies, and the insignificant effect of the rest of the characteristics of the audit committee (the number of times members meet the audit committee, and the financial experience of the audit committee members) on voluntary disclosure for companies.

Al-Hamoud, et al. (2018) aimed to examine the impact of audit committee characteristics on the level of social responsibility disclosure of Jordanian joint-stock companies. By applying it to a sample of companies listed on the Amman Exchange during the period 2014 -2016. The results indicate that there is a significant positive effect for each (independence of the audit committee, the frequency of its meetings, and ownership of the company's shares by audit committee members) on the level of social responsibility disclosure and there is no significant effect of (the size of the audit committee, the financial and accounting experience of the committee members) on the level of disclosure of social responsibility.

While a limited number of studies have focused on the impact of audit committee characteristics on voluntary disclosure of the dimensions of sustainable development, Barako et al. (2006) indicate that there is a statistically significant positive correlation between the quality of audit committee characteristics (independence and financial expertise) and voluntary disclosure. Madi et al. (2014) indicate a significant effect of (the independence of the audit committee and the size of the audit committee), and a non-significant effect of (the number of times the members of the audit committee meet, and the financial experience of the members of the audit committee) on

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

the voluntary disclosure of companies.

Cerbioni and Parbonetti (2007) indicate that the characteristics of the audit committee affect the amount of information disclosed. While Said et al. (2009) indicate that there is a positive, non-statistically significant correlation between the independence of the audit committee and the level of disclosure of corporate social responsibility. Halme and Huse (1997) also indicated that there are no fundamental differences in the amount of disclosure Social responsibility is a result of the different degree of effectiveness of governance mechanisms, of which the audit committee is one of the mechanisms. A number of studies agree that there is a positive effect of the characteristics of the audit committee (size, independence, financial expertise, number of meetings) on the quality of the financial report, whether annual or interim (Abbott et al. 2004; Moroney et al. 2012; Abu Ghanima 2013; Ahmed 2011). This analysis is consistent with what one recent study indicated that there is a scarcity of studies conducted on the impact of audit committee characteristics on the level of corporate social responsibility disclosure specifically (Appuhami and Tashakor 2017). The study found that there is a significant positive effect of audit committee characteristics such as (the proportion of independent members in the committee, the number of times the audit committee meets, the size of the audit committee) on the level of CSR disclosure (Appuhami and Tashakor, 2017).

Pozzoli et al. (2022) show a significant positive effect of audit committee independence and expertise on ESG performance. Moreover, audit committee tenure is found to be negatively associated with the ESG performance. These results are even statistically stronger during the pandemic period. Tumwebaze et al. (2022) indicate that audit committee effectiveness and internal audit function are positively and significantly associated with sustainability reporting practices. Audit committee effectiveness and internal audit functionaries more significantly associated with economic and social indicators than environmental sustainability indicators.

Adegboye et al. (2020) investigates the influence of audit committee characteristics on the sustainability disclosure among the Nigerian listed banks. Using the Fixed Effect regression estimator of panel data for ten (10) listed banks in Nigeria over the period of 2014–2016, the result shows that the influence of audit committee independence and gender diversity of audit committee are significantly positive on the sustainability disclosure. However, the audit committee magnitude has a negative and significant influence on the sustainability disclosure. Almashhadani and Almashhadani (2023) in-depth exploration of the intricate relationships between audit committee characteristics, sustainability disclosure, and corporate performance within Charlotte Financial Services Companies underscores the vital role of effective governance in shaping contemporary business practices. The empirical findings confirm a strong association between specific audit committee attributes and the extent of sustainability disclosure, highlighting their function as key drivers of transparency and ethical conduct. Shaker et al.

ISSN: 2455-8834
Volume:08, Issue:11 "November 2023"

(2023) showed that all dimensions of audit committee effectiveness had a positive and significant impact on economic and social indicators of sustainability reporting. Additionally, three dimensions of audit committee effectiveness had a positive and significant impact on environmental indicators, while independence of the audit committee had a positive impact but was not significant.

Therefore, the relationship between the characteristics of the audit committee and disclosure of sustainability performance or one of its three dimensions is still a matter of controversy. Based on the above, the researchers can conclude the hypothesis of the study as follows:

Hypothesis: The financial expertise of the audit committee affects sustainability performance disclosure.

3. Research Methodology

The applied study aims to answer the study's main question about the extent to which there is an impact of the audit committee's financial experience on the disclosure of sustainability performance by applying it to a sample of non-financial joint stock companies listed on the Egyptian Stock Exchange and listed within the S&P/EGX_ESG index.

The study population consists of all companies listed on the Egyptian Exchange, and which entered the Egyptian Social Responsibility Index S&P/EGX_ESG at least once during the period before 2018, and their number reached (62) companies. To conduct the applied study, a sample of these companies was selected according to the following conditions:

- The financial statements and annual reports of the study sample companies must be available during the period from 2015 to 2018.
- The shares of these companies must be traded regularly, and they must not havestopped trading in their shares during the study period.
- The company does not belong to the banking or financial institutions sectors.
- The companies' dealing currency must be the Egyptian pound.
- To have been included in the S&P/EGX_ESG index at least once during the study period

The study sample included (30) companies, representing 48% of the study population, after two companies were excluded due to their shares being removed from the securities listing tables on the Egyptian Stock Exchange. These companies are Orascom Construction and Industry, and

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

Namaa Development and Real Estate Investment Company. Thus, the total number of views covered by the study became 120.

In view of the research hypotheses, it becomes clear that there is a main independent variable, which is the financial experience of audit committee members and a major dependent variable, which is the Sustainability performance disclosure. These variables canbe measured as follows:

Independent variable: Financial experience of audit committee members (ACExp): Many studies Ahmed (2011); Al-Nawaji (2017); Hassan (2018) measured the financial and accounting experience of members of the audit committee according to the percentage of members who have financial and accounting experience - members who hold an academic qualification in the field of accounting, financial management, or financial and banking sciences - to the total the number of committee members, while Al-Shaarawy (2018) relied on considering the financial experience of the audit committee as a dummy variable that takesthe value (1) if there is more than one member with financial and accounting experience, and the value (0) otherwise. The researchers will measure the financial and accounting experienceof the audit committee based on the ratio of members with financial and accounting experience to the total members of the audit committee (Biçer and Feneir 2019).

Dependent variable: Sustainability performance disclosure (Sus_Dis): The researchers extrapolated the indicators that were used to measure the extent of disclosure of sustainability performance or one of its aspects. The researchers reviewed the content analysis methodology adopted in studies (Ballou et al. 2012; García-Sánchez and Martínez-Ferrero 2018) to disclose environmental and social performance, and studies (Ganesan et al. 2017; Ioannou and Serafeim 2017; Wang et al. 2018) to disclose the triple _environmental, social and governance (ESG) sustainability performance, while Studies approved (Hussain et al. 2018; Orazalin and Mahmood 2018; Aras et al. 2018) in measuring the triple sustainability performance using content analysis methodology for sustainability reports by applying the framework provided by the Global Reporting Initiative (GRI-G4) for indicators of sustainability performance reports, so the researcher reviewed the different versions of the GRI framework (GRI) which aims to develop and establish reporting guidelines (GRI- G4 2013). And also; In light of the researcher’s review of a number of Arab studies (Ahmed 2012; Ahmed 2015; Arafa and Meligy 2016; Abdo 2017), the researchers prepared an indicator for disclosing sustainability performance, prepared in a manner consistent with the objectives of the study in the Egyptian business environment; The index included four main aspects:

- The social performance dimension of sustainability performance (Soc_Dis).
- Environmental performance dimension of sustainability performance (Env_Dis).

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

- The economic performance dimension of sustainability performance (Eco_Dis).
- Governance performance dimension of sustainability performance (Gov_Dis).

Table No. (1) Disclosure Index for the Social Dimension of Sustainability Performance

Dimensions of the social aspect (22 items) distributed into 3 main dimensions	
Employment and Decent Work Practices	
1	Promoting employee safety and physical or mental health
2	Detecting accident and death rates related to working conditions
3	Compliance with occupational health and safety standards
4	Providing low-cost health care for workers
5	Employee satisfaction surveys or feedback mechanisms
6	Training employees through internal programs or by establishing training centers
7	Financial support for workers in continuing education courses
8	Pay and bonus plans
9	Promote diversity and inclusion of employees with disabilities
10	He found clear and specific mechanisms to address customer complaints and suggestions
11	Determine the percentage of employees on the Board of Directors and its committees
12	Percentage of the total workforce represented in official health and safety committees shared between management and workers
Product Responsibility: Product development information	
13	The type of information about products or services required according to the company's procedures for creating information labels to describe products and services
14	Policies for protecting data and information obtained during the provision of services
15	Disclosure of factual information related to products and services, including the nature and risks associated with them
16	The results or most important conclusions of surveys that measure customer satisfaction
Local community: local community development programs	
17	Cultural preservation activities within the community
18	Contributing to improving the health of the local community through the participation of the government or civil society organizations in health initiatives
19	Computer literacy training and English language support
20	Professional skills development programs for local community youth
21	Cash and in-kind donations through the distribution of various goods
22	Contributions to various funds, community activities and events

Table No. (2) Disclosure index for the environmental dimension of sustainability performance

Dimensions of the environmental aspect (21 items) distributed into 3 main dimensions	
Energy, materials and water	
1	Disclosure of energy consumption
2	Use modern, less polluting energy resources
3	Rationalizing the consumption of various energy sources by investing in energy-saving equipment/facilities

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

4	The amount of reductions in energy consumption achieved through process redesign, equipment upgrades and modifications, and worker behavior changes
5	Use environmentally friendly raw materials
6	The amount of water used, and the total amount of water recycled and reused by the company
Emissions, Effluents and Waste Recycling	
7	Greenhouse gas emissions rate
8	Future plans to reduce harmful emissions and waste resulting from the company's activities
9	Control of pollution within a business organization
10	Efficient use of raw materials and other resources
11	Waste management operations
12	Reducing air emissions and liquid waste
13	Resources allocated to address environmental damage resulting from the company's activities
14	Increase investments in pollution-free technology.
Other environmental disclosures	
15	Disclosure of potential environmental risks and their management scenarios by the company
16	Compliance with environmental protection laws and procedures
17	Environmental protection expenses
18	Sponsoring environmental exhibitions
19	Review environmental aspects during project evaluation
20	Use environmentally friendly materials in production
21	Penalties imposed for non-compliance with environmental laws and regulations or lawsuits brought

Table No. (3) Disclosure index on the economic dimension of sustainability performance

Indicators of the economic aspect of sustainability performance (10 items).	
The first aspect: economic performance	
1	Direct economic value generated and distributed (i.e. revenues, operating costs, workers' wages, and other payments)
2	Covering the company's obligations according to the defined benefit plan through the retirement plans account
3	Significant financial assistance was received to the government
The second aspect: presence in the market	
4	Local recruitment procedures and the proportion of senior management recruited from the local community
5	Geographical distribution of markets and suppliers
6	The proportion of the workforce that is paid based on minimum wage rules
The third aspect: indirect economic effects	
7	The volume of investments in local community infrastructure
8	Assist medical and educational research to support government-sponsored development projects
Fourth aspect: responsible purchasing practices	
9	The percentage of procurement budget used in locations of significant operations that was spent on local suppliers in those operations (e.g., percentage of products and services purchased locally)
10	Information on promoting stable, cooperative and mutually beneficial relationships with suppliers

Table No. (4) Disclosure index on the governance dimension of sustainability performance

Dimensions of the governance aspect (7 items)	
1	Disclosure of board member information with membership classification (executive, non-executive, and independent).
2	Disclosure of the number of times the Board of Directors meets
3	Disclosure of the rights of board members and senior executives and the allowances and rewards they receive
4	Disclosure of the Board of Directors committees, the responsibilities of each committee, its members, and its meetings.
5	The company's commitment to generally accepted accounting and auditing standards
6	Disclosure of key stakeholders and their priority issues
7	Disclosure of anti-bribery and corruption policies and procedures

The Sustainability Performance Disclosure Index consists of (60) items, including (22) items related to the social aspect of sustainability performance, (21) items related to the environmental aspect of sustainability performance; (10) items related to the economic aspect of sustainability performance; finally (7) items related to sustainability governance performance. Each item takes a value of (1) if the company discloses it, and a value of (0) ifit does not disclose it.

Control variables: firm size (LogAst): measured using the natural logarithm of total assets according to studies (Orazalin & Mahmood, 2018; Timbate & Park, 2018; Feng et al. 2018; Biçer & Feneir, 2019). Financial Leverage (LEV): Measured by total liabilities/total equity (Biçer & Feneir, 2019). In addition, profitability (ROA): measured using the rate of return on assets, which is measured by the ratio of net profit to total assets (Biçer & Feneir, 2019).

Statistical models to test the study hypotheses: In the form of multiple linear regression to measure the effect of the financial and accounting experience of audit committee members onthe disclosure of sustainability performance as follows:

$$\mathbf{SusDis = \beta_0 + \beta_1\ ACExp + \beta_2\ LogAst + \beta_3\ LEV + \beta_4\ ROA + E}$$

The researchers derives a set of regression models to measure the effect of the financial and accounting experience of audit committee members on the disclosure of the various dimensions of sustainable performance as follows:

$$\mathbf{SocDis = \beta_0 + \beta_1\ ACExp + \beta_2\ LogAst + \beta_3\ LEV + \beta_4\ ROA + E}$$

$$\mathbf{EnvDis = \beta_0 + \beta_1\ ACExp + \beta_2\ LogAst + \beta_3\ LEV + \beta_4\ ROA + E}$$

$$\mathbf{EcoDis = \beta_0 + \beta_1\ ACExp + \beta_2\ LogAst + \beta_3\ LEV + \beta_4\ ROA + E}$$

$$\mathbf{GovDis = \beta_0 + \beta_1\ ACExp + \beta_2\ LogAst + \beta_3\ LEV + \beta_4\ ROA + E}$$

3. Testing and Discussion of Research Hypotheses

The researchers used the multiple regression analysis method to determine the effect of the financial experience of audit committee members on the level of disclosure of sustainability performance, as shown in Table (5).

Table (5): Results of multiple regression analysis of the financial experience of audit committee members on sustainability performance

variable	β	Test T	P.value	VIF
Constant	8.175	1.513	0.133	
ACExp	4.609	2.231	0.028	1.040
LogAst	1.135	4.670	0.000	1.090
LEV	1.062	0.556	0.579	1.109
ROA	7.417	1.515	0.133	1.082
R2 adjusted R2 F P. value Durbin-Watson		0.195 0.167 6.947 0.000 1.345		

It is clear from Table (5) that the regression model is significant at a significance level of (0.05). The value of the VIF inflation factors also indicates that it is less than (10), which indicates that there is no multicollinearity between the variables. The value of the Durbin- Watson statistic also falls between the tabular value the upper and four minus the upper tabular value, indicating that there is no autocorrelation problem. The table also indicates thatthere is a statistically significant effect of the financial experience of members of the audit committee at a significant level (0.05) on the disclosure of sustainability performance, and the presence of a statistically significant effect at the level (0.05) of the firm size on the disclosure of sustainability performance, and the insignificant effect of financial leverage and profitability on the disclosure of sustainability performance.

Based on the above, the research hypothesis that there is a statistically significant effect of the financial experience of audit committee members on disclosure of sustainability performance can be accepted.

The researchers used the multiple regression analysis method to determine the effect of the financial experience of audit committee members on the level of social disclosure, as shown in Table (6).

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

Table (6): Results of multiple regression analysis of the financialexperience of audit committee members on social disclosure

variable	β	Test T	P.value	VIF
Constant	-1.073-	-0.365-	0.716	
ACExp	1.462	1.299	0.197	1.040
LogAst	0.529	3.996	0.000	1.090
LEV	0.785	0.755	0.452	1.109
ROA	5.357	2.008	0.047	1.082
R2		0.155		
adjusted R2		0.125		
F		5.268		
P. value		0.001		
Durbin-Watson		1.262		

It is clear from Table (6) that the regression model is significant at a significance level of (0.05). The value of the VIF inflation factors also indicates that it is less than (10), which indicates that there is no multicollinearity between the variables. The value of the Durbin- Watson statistic also falls between the upper tabular value and four minus the upper tabular value, indicating that there is no autocorrelation problem. The table also indicates that there is a positive, statistically significant effect at the level of significance (0.05) of firm size on social disclosure, and profitability at the level of (0.05), and a non-significant effect of both the financial and accounting experience of members of the audit committee and financial leverage on social disclosure. Based on the above, there is no statistically significant effect of the financial experience of audit committee members on social disclosure.

The researchers used the multiple regression analysis method to determine the effect of the financial experience of audit committee members on the level of environmental disclosure, as shown in Table (7)

Table (7): Results of multiple regression analysis of the financial experience of audit committee members on environmental disclosure

variable	β	Test T	P.value	VIF
Constant	6.691	2.531	0.716	
ACExp	-0.183-	-0.181-	0.013	1.040
LogAst	0.342	2.876	0.857	1.090
LEV	0.446	0.478	0.005	1.109
ROA	-0.765-	-0.319-	0.634	1.082

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

R2 adjusted R2 F P. value Durbin-Watson	0.084 0.052 2.644 0.037 1.467	

It is clear from Table (7) that the regression model is significant at a significance level of (0.05). The value of the VIF inflation factors also indicates that it is less than (10), which indicates that there is no multicollinearity between the variables. In addition, the value of the Durbin-Watson statistic falls between the upper tabular value and four minus the upper tabular value, indicating that there is no autocorrelation problem. The table also indicates that there is a statistically significant positive effect at the significance level (0.05) of the firm size on environmental disclosure, and the insignificant effect of the financial and accounting experience of members of the audit committee, financial leverage, and profitability on environmental disclosure.

Based on the above, there is no statistically significant effect of the financial experience of audit committee members on environmental disclosure.

The researchers used the multiple regression analysis method to determine the effect of the financial experience of audit committee members on the level of economic disclosure, as shown in Table (8).

Table (8): Results of multiple regression analysis of the financial experience of audit committee members on economic disclosure

variable	β	Test T	P.value	VIF
Constant	-1.743-	-1.007-	0.316	
ACExp	0.503	0.760	0.449	1.040
LogAst	0.270	3.466	0.001	1.090
LEV	0.157	0.257	0.798	1.109
ROA	1.146	0.731	0.466	1.082
R2 adjusted R2 F P. value Durbin-Watson		0.104 0.073 3.340 0.013 1.751		

It is clear from Table (8) that the regression model is significant at a significance level of (0.05). The value of the VIF inflation factors also indicates that it is less than (10), which indicates that there is multicollinearity between the variables. In addition, the value of the Durbin-Watson statistic falls between the upper tabular value and four minus the upper tabular value, indicating

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

that there is no autocorrelation problem. The table also indicates that there is a statistically significant positive effect at the level (0.05) of the firm size on economic disclosure, and the non-significant effect of the financial experience of audit committee members, financial leverage, and profitability on economic disclosure.

Based on the above, there is no statistically significant effect of the financial experience of audit committee members on economic disclosure.

The researchers used the multiple regression analysis method to determine the effect of the financial experience of audit committee members on the level of governance disclosure, as shown in Table (9).

Table (9): Results of multiple regression analysis of the financial experience of audit committee members on governance disclosure

variable	β	Test T	P.value	VIF
Constant	4.300	4.255	0.000	
ACExp	2.827	7.319	0.000	1.040
LogAst	-0.006-	-0.124-	0.901	1.090
LEV	-0.326-	-0.914-	0.363	1.109
ROA	1.679	1.834	0.069	1.082
R2 adjusted R2 F P. value Durbin-Watson		0.329 0.305 14.080 0.000 1.107		

It is clear from Table (9) that the regression model is significant at a significance level of (0.05). The value of the VIF inflation factors also indicates that it is less than (10), which indicates that there is no multicollinearity between the variables. The value of the Durbin- Watson statistic also falls between the upper tabular value and four minus the upper tabular value, indicating that there is no autocorrelation problem. The table also indicates that there is a statistically significant positive effect at the level of (0.05) for the financial experience of members of the audit committee, and the insignificant effect of firm size, financial leverage, and profitability on governance disclosure.

Based on the above, there is a statistically significant effect of the experience of the members of the financial audit committee on governance disclosure.

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

5. Discussion and Conclusion

This research aims to find practical evidence on the extent to which there is a relationship between the financial experience of the audit committee and the disclosure of sustainability performance. This is done by conducting an applied study on a sample of joint stock companies listed on the Egyptian Stock Exchange during the period from 2015 to 2018.

Forming audit committees is related to the goal of achieving credibility in financial reports, reducing fraudulent practices, and profits managment. The lack of financial experience affects the perceived credibility of financial reports on the part of the external auditor. There is a positive impact of financial experience on the level of disclosure of sustainable performance (in its various dimensions) in terms of the nature of the information and the extent to which it is subject to assurance and certification services by a third party. The results of the research hypothesis test also indicate that there is a statistically significant positive effect of financial experience on governance disclosure, which indicates that there is a positive effect of financial experience on the quality of the accounting report in reference to the governance role exercised by the audit committee in preparing financial reports.

In addition, the researchers suggest a number of future research areas, the most important of which are the following:

- Study the impact of professional assurance services for sustainability performance disclosure reports on the company's perceived value to investors.
- Study the impact of the characteristics of the board of directors as one of the governance mechanisms on the disclosure of sustainability performance and company value.
- An experimental study of the impact of the experience of audit committee members with sustainability issues on the disclosure of sustainability performance and its reflection on the company's future value.

Reference

1. Abbott, L. J., Parker, S., & Peters, G. F. (2004). Audit Committee Characteristics and Restatements. *Auditing: A Journal of Practice & Theory*, 23(1), 69-87.
2. Abu Ghanima, R. N. (2013). *The Role of Audit Committees as One of the Corporate Governance Mechanisms in Improving the Quality of Accounting Information to Support Stock Pricing Decisions on the Egyptian Stock Exchange*, Unpublished Master's Thesis, Faculty of Commerce, Benha University.

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

3. Adegboye, A., Ojeka, S., Alabi, O., Alo, U., & Aina, A. (2020). Audit Committee Characteristics and Sustainability Performance in Nigerian listed Banks. Business: *Theory and Practice*, 21(2), 469-476.

4. Ahmed, S. M. R. (2011). The Role of Audit Committees as One of the Pillars of Governance in Improving the Quality of Financial Reports, An Applied Study on Egyptian Pharmaceutical Companies. *Jordanian Journal of Business Administration*, 7(1), 34-77.

5. Almashhadani, M., & Almashhadani, H. A. (2023). Audit Committee Features, Sustainability Disclosure, And Corporate Performance In Charlotte Financial Service Companies. *Journal of Management, Accounting, General Finance and International Economic Issues*, 3(1), 1-15.

6. Appuhami, R., & Tashakor, S. (2017). The Impact of Audit Committee Characteristics on CSR Disclosure: An Analysis of Australian Firms. *Australian Accounting Review*, 27(4), 400-420.

7. Arafa, N. T., and Magdy M. (2013). The Impact of the Quality of Audit Committees on the Level of Voluntary Disclosure in Saudi Joint Stock Companies, An Applied Theoretical Study. *Journal of Public Administration*, 54(1), 69-88.

8. Aras, G., Crowther, D., Aras, G., & Crowther, D. (2009). Exploring Frameworks of Corporate Governance. *Culture and Corporate Governance*, 3-16.

9. Ballou, B., Casey, R. J., Grenier, J. H., & Heitger, D. L. (2012). Exploring the Strategic Integration of Sustainability Initiatives: Opportunities for Accounting Research. *Accounting Horizons*, 26(2), 265-288.

10. Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors Influencing Voluntary Corporate Disclosure by Kenyan Companies. Corporate Governance: *An International Review*,14(2), 107-125.

11. Biçer, A. A., & Feneir, I. M. (2019). The Impact of Audit Committee Characteristics on Environmental and Social Disclosures: Evidence from Turkey. *International Journal of Research in Business and Social Science* (2147-4478), 8(3), 111-121.

12. Cerbioni, F., & Parbonetti, A. (2007). Exploring the Effects of Corporate Governance on Intellectual Capital Disclosure: An Analysis of European Biotechnology Companies. *European Accounting Review*, 16(4), 791-826.

13. Flammer, C. (2013). Corporate Social Responsibility and Shareholder Reaction: The Environmental Awareness of Investors. *Academy of Management Journal*, 56(3), 758-781.

14. Ganesan, Y., Hwa, Y. W., Jaaffar, A. H., & Hashim, F. (2017). Corporate Governance and Sustainability Reporting Practices: The Moderating Role of Internal Audit Function. *Global Business and Management Research*, 9(4s), 159-179.

15. García-Sánchez, I. M., & Martínez-Ferrero, J. (2018). How do Independent Directors Behave with Respect to Sustainability Disclosure?. *Corporate Social Responsibility and Environmental Management*, 25(4), 609-627.

16. Halme, M., & Huse, M. (1997). The Influence of Corporate Governance, Industry and Country Factors on Environmental Reporting. *Scandinavian Journal of Management*, 13(2), 137-157.

17. Hussain, N., Rigoni, U., & Orij, R. P. (2018). Corporate Governance and Sustainability Performance: Analysis of Triple Bottom Line Performance. *Journal of Business Ethics,* 149(2), 411-432.

18. Ioannou, I., & Serafeim, G. (2017). The Consequences of Mandatory Corporate Sustainability Reporting. *Harvard Business School Research Working Paper*, (11-100).

19. Jizi, M. (2017). The Influence of Board Composition on Sustainable Development Disclosure. *Business Strategy and the Environment*, 26(5), 640-655.

20. Longoni, A., & Cagliano, R. (2018). Inclusive Environmental Disclosure Practices and Firm Performance: the Role of Green Supply Chain Management. *International Journal of Operations & Production Management,* 38(9), 1815-1835.

21. Longoni, A., & Cagliano, R. (2018). Sustainable Innovativeness and the Triple Bottom Line: The Role of Organizational Time Perspective. *Journal of Business Ethics*, 151, 1097- 1120.

22. Luo, X., & Bhattacharya, C. B. (2006). Corporate Social Responsibility, Customer Satisfaction, and Market Value. *Journal of Marketing*, 70(4), 1-18.

23. Madi, H. K., Ishak, Z., & Manaf, N. A. A. (2014). The Impact of Audit Committee Characteristics on Corporate Voluntary Disclosure. *Procedia-Social and Behavioral Sciences*, 164, 486-492

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

24. Maxwell, J. W., & Lyon, T. P. (2011). Greenwash: Corporate Environmental Disclosure under Threat of Audit. *Journal of Economics & Management Strategy*, 20(1), 3-41.

25. Moroney, R., Windsor, C., & Aw, Y. T. (2012). Evidence of Assurance Enhancing the Quality of Voluntary Environmental Disclosures: An Empirical Analysis. *Accounting & Finance*, 52(3), 903-939.

26. Odriozola, M. D., & Baraibar-Diez, E. (2017). Is Corporate Reputation Associated with Quality of CSR Reporting? Evidence from Spain. *Corporate Social Responsibility and Environmental Management*, 24(2), 121-132.

27. Orazalin, N., & Mahmood, M. (2018). Economic, Environmental, and Social Performance Indicators of Sustainability Reporting: Evidence from the Russian Oil and Gas Industry. *Energy Policy*, 121, 70-79.

28. Palepu, K. G., & Healy, P. M. (2001). Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature. *Journal of Accounting and Economics*, 31(1-3), 405-440.

29. Pozzoli, M., Pagani, A., & Paolone, F. (2022). The Impact of Audit Committee Characteristics on ESG Performance in the European Union Member States: Empirical Evidence before and during the COVID-19 Pandemic. *Journal of Cleaner Production*, 371, 133411.

30. Said, R., Hj Zainuddin, Y., & Haron, H. (2009). The Relationship between Corporate Social Responsibility Disclosure and Corporate Governance Characteristics in Malaysian PublicListed Companies. *Social Responsibility Journal*, 5(2), 212-226.

31. Shaker, A. S., Maki, M. I., & Aboalriha, A. M. J. (2023). The Effect of Audit Committee Effectiveness on Corporate Sustainability Reporting Practices: Empirical Evidence from Iraqi Listed Industrial Companies. *International Journal of Professional Business Review*, 8(5), 24.

32. Solomon, J., & Brennan, N. M. (2008). Corporate Governance, Accountability and Mechanisms of Accountability: An Overview. *Accounting, Auditing & Accountability Journal*, 21(7), 885-906.

33. Timbate, L., & Park, C. K. (2018). CSR Performance, Financial Reporting, and Investors' Perception on Financial Reporting. *Sustainability*, 10(2), 522.

ISSN: 2455-8834

Volume:08, Issue:11 "November 2023"

34. Torugsa, N. A., O'Donohue, W., & Hecker, R. (2012). Capabilities, Proactive CSR and Financial Performance in SMEs: Empirical Evidence from An Australian Manufacturing Industry Sector. *Journal of Business Ethics*, 109(4), 483-500.

35. Tumwebaze, Z., Bananuka, J., Kaawaase, T. K., Bonareri, C. T., & Mutesasira, F. (2022). Audit Committee Effectiveness, Internal Audit Function and Sustainability Reporting Practices. *Asian Journal of Accounting Research*, 7(2), 163-181.

36. Wang, Z., Hsieh, T. S., & Sarkis, J. (2018). CSR Performance and the Readability of CSR Reports: Too Good to be True?. *Corporate Social Responsibility and Environmental Management*, 25(1), 66-79.

37. Hassan, K.A. S. (2017). Determinants of Voluntary Disclosure about Sustainable Development. *Egyptian Journal of Business Studies*, 41(1), 44-81.

38. Al-Shawarbi, M. A. (2018). The Role of the Turnover of Audit Committee Members in Increasing the Effectiveness of the Audit Committee and Its Impact on External Audit Fees. *Journal of Accounting Thought*, 4(22), 114-157.

39. Abdo, I. M. (2019). The Impact of the Disclosure Report on Sustainability Performance and Financing Decisions on Amending the Financial Statements and the Company's Sustainable Financial Development, An Applied Study. *Accounting Thought*, 29(1), 142-178.

