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Sustainability Disclosure Practices in Islamic Banking: Do Audit Committees Matter for SDG 16?

Rita Wijayanti[1*], Doddy Setiawan[2], Y. Anni Aryani[2], Taufiq Arifin[2]

[1]Muhammadiyah University of Surakarta, Surakarta, Indonesia
[2]Sebelas Maret University, Surakarta, Indonesia

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ABSTRACT

Objective: *To examine the influence of audit committee (AC) characteristics on the level of sustainability disclosure in Islamic Banks (IBs) listed on the Indonesia Stock Exchange during the period 2012–2021.* ***Method:*** *Employing a quantitative approach using purposive sampling to obtain 13 Islamic banks, resulting in 122 unbalanced panel data observations. Secondary data were collected from annual reports available on each bank's official website. Sustainability disclosure items were adopted from Jan et al. (2019) and measured using content analysis techniques. The hypotheses were tested using panel data regression with the random effects model.* ***Results:*** *The findings indicate that Islamic banks disclosed only approximately 27% of the sustainability information expected. Furthermore, the number of audit committee members and audit committee independence significantly influenced sustainability disclosure practices, suggesting that effective oversight mechanisms encourage greater transparency regarding sustainability performance.* ***Novelty:*** *Extending the literature on sustainability disclosure by providing empirical evidence from Islamic banking institutions in Indonesia over a ten-year period, highlighting the critical role of audit committee characteristics, particularly committee size and independence, in strengthening transparency and accountability practices aligned with SDG 16 (Peace, Justice and Strong Institutions).*

INTRODUCTION

Sustainability reporting provides a platform for management to distribute information regarding economic, social and environmental performance to various stakeholders (Manetti & Bellucci, 2016; Nigri & Del Baldo, 2018; Oncioiu et al., 2020). This is of course different from traditional financial reporting which only focuses on providing financial information. Apart from being a source of information for assessing a company's sustainability performance, report users can also find out how much the company has contributed to achieving the Sustainable Development Goals (SDGs).

Sustainability reporting is considered as an accountability mechanism for the use of natural resources in the provision of products and services (Abeysekera, 2022; Nazari et al., 2015; Sisaye, 2022). Tumwebaze et al., (2022) states that manufacturing companies as producers make a major contribution to environmental damage through the release of waste and gas emissions into the environment. However, the obligation to prepare sustainability reporting is not only intended for manufacturing companies. Banks are considered to be one of the businesses that indirectly contributes to environmental degradation through the financing provided to product producing industries (Chin et al., 2024; Ryszawska & Zabawa, 2018; Shair et al., 2021; Zhang et al., 2022). Therefore, it is important for banks to provide information on how their business activities do not have a negative impact on the social and environment (Stauropoulou et al., 2023).

Apart from being a form of accountability, sustainability reports are believed to be the best way for organizations to gain legitimacy and improve their image in the eyes of stakeholders

(Ching & Gerab, 2017; Kuruppu et al., 2019). Sustainability reporting can reduce knowledge asymmetry between management and all stakeholders so that society and investors can make the best investment decisions. Sustainability disclosure is not just a business obligation, but can increase company value (Al Natour et al., 2022; Appiah-Kubi, 2024). This is why managers are urged to publish them voluntarily in order to gain company reputation.

Even though there is increasing interest among academics, practitioners and policy makers, the practice of reporting sustainability information is still very minimal in developing countries (Alshbili et al., 2021). Michelon et al., (2015) revealed that voluntary non-financial reporting is often criticized because it is considered irrelevant and unreliable. This could be the cause of companies' reluctance to actively engage in voluntary reporting. To address this issue, businesses might consider implementing internal monitoring tools such as audit committees (ACs). AC is very important in providing clear, relevant and complete information to investors, so that it can reduce information asymmetry by aligning the interests of shareholders and managers. According to Al Lawati et al., (2023) and Samaha et al., (2015), AC can increase user trust, strengthen credibility and reliability of sustainability reporting. This is reinforced by the statement of Martinov-Bennie et al., (2015), that AC responsibilities have expanded beyond overseeing a company's internal control system and traditional financial reporting processes to include risk management and non-financial reporting.

AC is considered an important and influential actor in corporate governance. Apart from assisting the board of commissioners in carrying out their duties, it also functions as a significant communication intermediary between the main parties in the financial and non-financial reporting process. The effectiveness of AC in carrying out its functions depends on AC attributes. According to Appuhami & Tashakor, (2017), the existence of air conditioning with the required characteristics can be a condition for quality control and disclosure of corporate environmental social responsibility.

Based on the latest empirical studies, there is a strong correlation between corporate governance characteristics and non-financial performance disclosures (Dimes & Molinari, 2024; Pagkalou et al., 2024). However, there is still little information available regarding how AC as a governance method can improve sustainability initiatives, especially in Islamic Banks (IB). There are two main reasons for the lack of research investigating the function of AC in sustainability reporting. First, according to (Itan et al., 2023; Rochmah Ika & Mohd Ghazali, 2012), the establishment of AC as part of the corporate governance structure is a relatively new idea, especially in developing countries. Second, the role of AC mechanisms in disclosing non-financial information is underappreciated due to the widely held assumption that AC's main duties only include monitoring the accuracy of financial reporting. This research aims to determine the role of air conditioning in line with the government's policy focus on environmental preservation. The main objective of this research is to analyze the function of AC in sustainability disclosure. Based on panel data analysis of 122 IB observation data in Indonesia over a 10 years period (2012-2021), the findings of this research reveal a significant positive relationship between AC size and independence on sustainability reporting. The findings of this research and several other recent studies. Rifai and Siregar, (2021) have consequences in future corporate governance that the scope of AC responsibilities can be expanded to provide assurance that includes non-financial information. This is important especially in the current economic context where information other than conventional financial reports is considered important. In many ways, this article adds to the expanding body of research on the relationship between corporate reporting and governance. First, most of the previous disclosure research is about

the positive impact of AC on financial reporting (Agyei-Mensah, 2019; Rochmah Ika & Mohd Ghazali, 2012), whereas in this study, we focus on examining the impact of AC attributes on sustainability reporting. According to a number of research such as Ahmed Haji, (2015), Ahmed Haji and Anifowose, (2016), and Akhtaruddin and Haron, (2010), the effectiveness of the audit committee in carrying out its supervisory duties depends on a number of characteristics attached to it, such as independence, financial expertise, and persistence in attending meetings. Second, our analysis considers the characteristics of AC, not just its existence, to the company's voluntary reporting initiatives. Third, our observations were made in developing countries which some of the literature says have low social and environmental performance. The findings are expected to confirm whether AC is a factor that can encourage its increase. Fourth, the research sample focused on IB, because sustainability principles are basically aligned with IB practices and goals. This study is also relevant to the achievement of Sustainable Development Goal (SDG) 16, which emphasizes the development of effective, accountable, and transparent institutions. Sustainability disclosure serves as an important mechanism for enhancing organizational transparency and stakeholder trust. In the context of Islamic banking, effective governance through audit committee oversight may strengthen sustainability reporting practices and support the realization of SDG 16 by promoting greater accountability and disclosure quality.

THEORETICAL FRAMEWORK

According to the perspective of agency and legitimacy theory, corporate governance and disclosure practices are important, especially in developing countries (Ieng Chu et al., 2012). Accountability and transparency through reporting financial and non-financial information are the main principles in governance so that governance and corporate social responsibility performance should not be seen as mutually exclusive (García-Sánchez et al., 2022).

Agency theory is usually based on the idea that there are owner-manager problems that are primarily caused by the pursuit of personal gain (Jensen & Meckling, 2019). According to agency theory, AC functions as a monitoring body that ensures the accuracy of company disclosures, including financial and non-financial information. The audit function helps reduce information asymmetry and conflicts of interest between management and shareholders. Consequently, it is assumed that the audit process will serve as a monitoring tool to improve the quality of voluntary information disclosure legitimacy theory, on the other hand, views agency-principal conflict as a problem that requires increased scrutiny from multiple stakeholder groups with different needs (Deegan, 2002). According to the legitimacy hypothesis, businesses will significantly adjust their governance and transparency practices in reaction to changes in the business environment in order to respond to demands from various stakeholder groups regarding desirable business practices. The existence of an audit committee as a supervisor in the company will encourage sustainability reporting. This is because one of the tasks of the audit committee is to help the board of commissioners to convince stakeholders, including the public, that business activities and performance do not violate the norms that society believes in.

Hypotheses development

The number of AC members brings diverse perspectives, skills and expertise as well as experience which leads to the effectiveness of organizational monitoring (Bédard & Gendron, 2010). This refers to the statement by Allegrini and Greco, (2013), that the composition of the AC will have a large impact on the effective implementation of responsibilities. Mohammadi et al., (2021) and Persons, (2009) recognizes AC as an integral part in monitoring corporate

disclosure practices. Like (Li et al., 2012) who conclude that a large number of AC members will make it easier This committee uncovers and resolves potential problems, especially those related to both financial and non-financial reporting. Although there is no agreement regarding the optimal number of ACs, a number of governance codes on many stock exchanges require companies to have ACs of no less than three members (Buallay & Al-Ajmi, 2020). Several previous studies have succeeded in proving that AC size has a positive effect on a number of non-financial disclosures such as CSR disclosures (Appuhami & Tashakor, 2017), Intellectual Capital disclosure, forward looking disclosure; integrated disclosure (Ahmed Haji & Anifowose, 2016) corporate governance disclosure, and internal control disclosure. Therefore, there is a hypothesis that:

H1. There is a positive relationship between audit committee size and sustainability disclosure practices

A key feature of the AC's effective functioning as a governance mechanism is its independence. AC independence means that AC members have no economic interests or personal relationships with management. This allows AC to work independently and objectively (Bédard & Gendron, 2010). Independent AC monitors management on behalf of shareholders, aiming to make strategic decisions capable of improving the disclosure process with the aim of increasing company value. Specifically, Adegboye et al., (2020) stated that there is an important role for independent AC in increasing investor profits and company share value through information disclosure.

From an agency theory perspective, independent committees lead to increased monitoring of managers' policies and activities so as to reduce opportunistic behavior. This is reinforced by Allegrini & Greco, (2013) statement that independent ACs have more possibilities of control and reduce the opportunities of management withholding information for their own benefit. Furthermore, effective monitoring by independent AC will lead to encouraging management to provide precise, fast and accurate information (Haniffa & Cooke, 2002).

AC independence has been recorded in a number of studies as having a positive impact on disclosure of a company's social and environmental performance. AC consisting of non-executive and independent directors encourages greater accountability and transparency thereby increasing the credibility of both financial and non-financial reporting. This finding is consistent with the results of (Harun et al., 2020). Thus, the second hypothesis is structured as follows.

H2. There is a positive relationship between audit committee independence and sustainability disclosure practices

AC's effectiveness in carrying out its responsibilities can be enhanced by the financial expertise of its members. An AC is said to be a financial expert if he has background knowledge in accounting, auditing or finance and relevant experience. According to García-Sánchez et al., (2022), accounting expertise gives AC the ability to interpret and analyze the information contained in financial reports. AC with accounting expertise has the knowledge to prepare reports based on regulatory rules and understands what information the company needs to disclose in the annual report. Investors who need information in annual reports will use it as a basis for decision making, meaning that company reporting can effectively reduce information asymmetry.

Effective supervision requires all AC members to have adequate expertise in accounting and auditing stated that financial expertise allows AC members to increase the reliability of company reporting by expanding the scope of financial reporting. Ji et al., (2024) in his study

confirmed that AC members with financial expertise will encourage companies to fulfill their ethical responsibilities and disclose them in reports. Furthermore, based on their research findings, Li et al., (2012) concluded that financial expertise puts AC in a better position to understand the implications of company reporting on capital markets. Empirical findings from previous research have proven the positive impact of the presence of an AC with financial expertise on disclosure. For example, Rifai and Siregar, (2021) used data from 285 non-financial companies listed on the Indonesia Stock Exchange and found that there was a positive relationship between AC financial expertise and forward-looking disclosure. Likewise, Appuhami and Tashakor, (2017) and Mohammadi et al., (2021) managed to note the positive influence of financial experts on CSR disclosure. Therefore, the following hypothesis is formulated.

H3. There is a positive relationship between audit committee financial expertise and sustainability disclosure practices

Board meetings signal the AC's commitment to fulfilling its responsibilities. The greater frequency of meetings shows that AC has more time to discuss existing problems in the company, including reporting. A number of previous studies have succeeded in indicating the frequency of AC meetings with the activeness and effectiveness of task implementation. Furthermore, according to Karamanou and Vafeas, (2005) to monitor company reporting and other responsibilities effectively, AC must provide time for meetings.

AC's regular meetings according to Li et al., (2012) allow its members to freely discuss crucial company issues such as the choice of accounting principles and considerations of what information will be provided in the annual report. ACs that hold frequent meetings can resolve disclosure issues, especially those related to accounting, auditing and corporate social responsibility in a timely manner [2]. In essence, ACs that meet frequently will find it easier to carry out their obligations in ensuring the reliability of the reporting process. Li et al., (2012)found that committee members meeting at least four times a year can increase a company's voluntary disclosure. Using a sample of 59 banks listed on the Gulf Cooperation Council (GCC) exchange during 2013 to 2017, Buallay & Al-Ajmi, (2020) presents findings that the frequency of AC meetings has a positive effect on the level of ESG disclosure. Likewise with Musallam, (2018) who in his study noted the beneficial impact resulting from AC meetings on the extent of CSR disclosure. Therefore, the fourth hypothesis is constructed as followsing

H4. There is a positive relationship between the frequency of audit committee meetings and sustainability disclosure practices

The frequency of audit committee meetings reflects the committee's activeness in carrying out its monitoring function. More frequent meetings provide opportunities to discuss reporting issues, evaluate management decisions, and ensure the quality of financial and non-financial disclosures. From an agency theory perspective, effective monitoring can reduce information asymmetry and encourage greater transparency. Empirical evidence supports this view, as Li et al. (2012), Buallay and Al-Ajmi (2020), and Musallam (2018) found that more frequent audit committee meetings were associated with higher levels of voluntary, ESG, and CSR disclosures.

RESEARCH METHOD

Data dan sample

The population in this study were IBs listed on the Indonesia Stock Exchange (BEI) during 2012 to 2021. The sample was selected using a purposive sampling technique, resulting in 13 sample companies and 122 observations (unbalanced data). Secondary data collected in this research is available in the annual report and can be accessed on the official website of each company. the public, that business activities and performance do not violate the norms that society believes in.

Variable measurement

Sustainability disclosure index was adopted from indicators compiled by (Jan et al., 2019). Weighted content analysis is carried out by giving a score of 0 to 2. If the information is not disclosed, a score of 0 is given, if there is a brief description, a score of 1 is added, and a score of 2 is added if there is a detailed disclosure. Sustainability disclosures are assessed using a weighted index, where points are awarded for each item disclosed. The index shows the sustainability disclosure score for bank j, where N is the maximum number of items a bank can disclose and dj is a ranking from score 0 to 2. The formula for the index is stated in Equation 1 below.

$$ISR = \sum_{i=1}^{m} \frac{a_i}{N} \quad (1)$$

Audit Committee Size (ACSIZE) is proxied by the number of AC members, as well as AC independence (ACIND) is measured by the number of independent AC members. Financial expertise (ACFIN) is measured by the number of members who have an educational background in finance and accounting, while AC meeting frequency (ACMEET) is the number of meetings held by the AC per year. Company size (SIZE) is measured by the natural logarithm of total assets. Company age (AGE) is calculated from the time the company was founded until the year of observation. Profitability (PROFIT) is measured by Return on Assets, namely the ratio of profit before interest and income tax to total assets. Leverage (LEV) is measured by total liabilities divided by total assets. Audit quality (AUQ) is a dichotomous variable, a value of 1 for companies audited by The Big-4 audit firms, and a value of 0 otherwise. believes in.

Regression model

In order to achieve the research objective, namely to identify the influence of AC characteristics on sustainability disclosure, a multiple regression model was used. The regression model is stated in Equation (2).

$$ISR = \alpha + \beta1ACSIZE + \beta2ACIND + \beta3ACFIN + \beta4ACMEET + \beta5SIZE + \beta6AGE + \beta7PROFIT + \beta8LEV + \beta9AUQ + \varepsilon \quad (2).$$

RESULTS AND DISCUSSION

Results

Descriptive analysis

Table 1 presents descriptive statistics of the variables used in the study. Statistical results show that the intensity of IB sustainability reporting in Indonesia is quite low, with an average disclosure of 27% and a maximum of 66%. The number of ACs ranged from 2 to 7

people, with an average of 3.84. Meanwhile, the number of independent ACs in IB is between 1 and 7 people, with an average of 3.42. Regarding financial expertise, around 50% of all AC members have met the educational background and experience requirements appropriate to their duties and responsibilities. The minimum frequency of meetings is 8 times a year, with an average of 13 meetings each year. Turning to the control variables, company size formulated using the natural logarithm of total assets has an average value of 30.31, with minimum and maximum values of 27.57 and 32.70 respectively. Meanwhile, IB age ranges from 1 to 30 years, with an average of 13.8 years. IB profitability from 2012 to 2021 is quite low, between -0.11 to 5.62, average 0.79. The level of leverage shows an average of 0.58, with a minimum value of 0.05 and a maximum of 1. If seen from the average audit quality of 0.33, it can be concluded that the majority of IBs are audited by non-Big 4 audit firms.

Table 1. Descriptive statistics

Variables	Obs.	Mean	Std. Dev	Min	Max
ISR	122	0.273707	0.149656	0.0538462	0.6615385
ACSIZE	122	3.836446	1.201927	2	7
ACIND	96	3.423913	1.206518	1	7
ACFIN	96	3.231579	1.134119	1	6
ACMEET	96	13.32292	6.084416	8	48
SIZE	122	30.30562	1.234632	27.56595	32.6987
AGE	115	13.79130	7.953213	1	30
PROFIT	122	0.792562	1.178680	-0.1123	5.62
LEV	122	0.580400	0.334227	0.0548	0.99708
AUQ	122	0.3278689	0.4713726	0	1

Correlation analysis

Multicollinearity detection aims to find out whether there is a high correlation between the independent variables in the model. According to Gujarati, (2021), multicollinearity becomes a problem if the correlation value between two independent variables exceeds 0.8. The results of the Pearson Correlation analysis in Table 2 show that the correlation between independent variables in the regression model has a probability below 0.8.

Table 2. Pearson correlation matrix

	ACSIZE	ACIND	ACFIN	ACMEET	SIZE	AGE	PROFIT	LEV	AUQ
ACSIZE	1.0000								
ACIND	0.3495	1.0000							
ACFIN	0.4396	-0.3092	1.0000						
ACMEET	0.2996	0.1687	0.2865	1.0000					
SIZE	0.3901	0.6370	-0.2292	0.2487	1.0000				
AGE	-0.3598	0.1576	-0.5062	-0.2200	0.0736	1.0000			
PROFIT	-0.1167	-0.6610	0.1932	0.0149	-0.6621	-0.3820	1.0000		
LEV	0.2515	0.0837	0.2798	0.1631	0.1408	-0.3338	-0.1895	1.0000	
AUQ	0.6053	0.2460	0.1549	0.0699	0.3518	-0.1441	-0.1104	-0.0184	1.0000

Regression result analysis

Table 3. Regression analysis results

CCD	Coefficient	Std. Error	Z-statistic	P-value
ACSIZE	0.0035071	0.0028332	1.24	0.021
ACIND	0.0124282	0.0056140	2.21	0.027
ACFIN	0.0018762	0.0030290	0.62	0.536
ACMEET	-0.000200	0.0003643	-0.55	0.583
SIZE	0.0901625	0.0078334	11.51	0.000
AGE	0.0010964	0.0004286	2.56	0.011
PROFIT	0.0181057	0.0041109	4.40	0.000
LEV	0.0052565	0.0034235	1.54	0.125
AUQ	0.0106237	0.0065321	1.63	0.104
Adj R^2 (overall)	0.5398			
Prob. Chi^2	0.0000			

Note: *, **, ***, represent 10%, 5%, and 1% significance, respectively.

Discussion

Table 3 presents the results of the regression test. Based on this table, the relationship between AC size and ISR shows a positive and significant coefficient (β = 0.0035; p-value = 0.021). In line with Hypothesis 1, this finding means that the larger the size of the AC affects the extent of IB's sustainability disclosure. The results of this study are consistent with a number of previous studies which report a positive relationship between AC size and non-financial disclosures such as (Ahmed Haji & Anifowose, 2016; Akhtaruddin & Haron, 2010). The presence of an AC with an adequate number of members has a significant impact on recommendations to improve reporting. Large AC groups are identified with an effective supervisory role. Judging from agency theory, larger audit committees are able to mitigate agency conflicts among various types of shareholders by expanding company disclosure. According to Rifai and Siregar, (2021), a larger audit committee will bring a diversity of views from various experts who have experience and expertise in their respective fields. A diversity of views brings a wealth of knowledge that can be applied to the company's considerations for disclosing which information is important.

Furthermore, the research results show that the independence of AC members has a positive effect on sustainability disclosure with a significance of less than 5% (β = 0.0124; p-value = 0.027). This indicates that the second hypothesis is accepted. These results are consistent with previous research findings that link audit independence with a number of voluntary disclosures such as CSR disclosures, forward-looking disclosures Abad and Bravo, (2018), CG disclosures Ha, (2022), and intellectual capital. Independence is one of the important attributes that a supervisor must have to be able to carry out their duties effectively. One of AC's most crucial tasks is to protect stakeholders from managers' opportunistic behavior by improving reporting on company performance. Meanwhile AC independence is able to ensure that its functions run effectively and objectively without management interference. This is important if it is related to the quality and credibility of company reporting.

The third hypothesis which states that AC financial expertise has a positive effect on IB sustainability disclosure practices is rejected (β = 0.0018; p-value = 0.536). This means that ACs with financial expertise do not contribute to the company's voluntary reporting. A possible reason is that ACs with financial expertise are more likely to focus on matters related to financial reporting rather than disclosing social and environmental performance. This

finding contradicts the results of Rifai and Siregar, (2021) research which found a positive role for financial experts in non-financial disclosures. AC who is experienced in the financial sector will have comprehensive knowledge about what important information needs to be presented in company reports, so that its existence will encourage companies to disclose more non-financial information.

Lastly, the findings show there is no significant relationship between the frequency of AC meetings and the level of sustainability disclosure (β = -0.0002; p-value = 0.583). This means that AC, which has more time to hold meetings, does not actually contribute to increasing sustainability disclosures. Ha, (2022) highlighted that AC meetings are a form of board formality so that their intensity does not affect the company's reporting practices. The research results are not in line with the findings of which states that increasing the frequency of AC meetings will make companies aware of information transparency. Remembering that in meeting forums, AC can discuss many things such as the content of disclosures.

Of the five control variables tested, there are only three variables that influence sustainability disclosure, namely company size (β = 0.09; p-value = 0.000), company age (β = 0.001; p-value = 0.011), and profitability (β = 0.018; p-value = 0.000). Company size is positively related to sustainability disclosure. This is evidence that large companies tend to disclose more information, including non-financial information, because they receive greater pressure and exposure. From the perspective of legitimacy theory, large companies will tend to make disclosures to gain public recognition and acceptance. Furthermore, company age also has a positive effect on company disclosure performance. Age shows the company's maturity in accommodating the needs of various stakeholders by reporting the required information. Financial performance as proxied by profitability shows its positive contribution to the company's initiative to carry out voluntary disclosure. Companies that perform well will tend to report their performance to obtain positive signals from investors. They have the freedom to report because large companies tend to have more resources to carry out CSR activities.

Beyond their implications for sustainability reporting practices, these findings are also relevant to the achievement of SDG 16 (Peace, Justice and Strong Institutions), which emphasizes transparency, accountability, and effective governance. The positive influence of audit committee size and independence on sustainability disclosure suggests that stronger governance mechanisms can enhance the quality of non-financial reporting and strengthen stakeholder trust in Islamic banking institutions.

CONCLUSION

Fundamental Finding: This study examined the influence of audit committee attributes, namely audit committee size, independence, financial expertise, and meeting frequency, on sustainability disclosure practices among Islamic Banks listed on the Indonesia Stock Exchange during 2012–2021. The findings reveal that audit committee size and independence have a significant positive effect on sustainability disclosure, indicating that effective monitoring mechanisms play an important role in enhancing the transparency of non-financial reporting in Islamic banking institutions. **Implication:** These findings highlight the importance of strengthening audit committee effectiveness beyond the traditional oversight of financial reporting. Regulators and bank management are encouraged to pay greater attention to the optimal composition and independence of audit committees to improve the quality of sustainability reporting and stakeholder accountability. The results also support the perspectives of agency theory and legitimacy theory by emphasizing the monitoring role of audit committees and the need for organizations to maintain legitimacy through

transparent disclosure practices. Furthermore, these findings contribute to SDG 16 (Peace, Justice and Strong Institutions) by underscoring the importance of effective governance mechanisms in promoting transparency, accountability, and high-quality sustainability reporting within Islamic banking institutions. **Limitation:** This study focused only on four audit committee characteristics and relied on content analysis to measure sustainability disclosure, which may involve subjective judgment in the scoring process. **Future Research:** Future studies are encouraged to examine additional audit committee characteristics, such as gender diversity, tenure, and educational background, and to employ alternative approaches, including case studies and interviews, to obtain a deeper understanding of sustainability disclosure practices in Islamic banking institutions.

AUTHOR CONTRIBUTIONS

Rita Wijayanti contributed to the conceptualization of the study, development of the research framework, methodology design, data collection, formal analysis, and preparation of the original manuscript draft. **Doddy Setiawan** contributed to supervision, validation of the research design and findings, critical review, and editing of the manuscript. **Y. Anni Aryani** contributed to the interpretation of results, validation process, and critical revision of the manuscript for important intellectual content. **Taufiq Arifin** contributed to project administration, supervision, manuscript review, and final approval of the submitted version. All listed authors have reviewed and approved the final version of this manuscript and agree to be accountable for all aspects of the work.

CONFLICT OF INTEREST STATEMENT

The authors state that no financial or personal conflicts of interest exist that may have affected the content or findings of this research.

STATEMENT ON THE USE OF AI OR DIGITAL TOOLS IN WRITING

The authors declare that no artificial intelligence (AI) tools or other digital writing assistants were used in the preparation, analysis, or writing of this manuscript. All stages of the research process, including data analysis, interpretation, and manuscript writing, were conducted solely by the authors. The authors take full responsibility for the originality, accuracy, and integrity of the content presented in this article.

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***Rita Wijayanti (Corresponding Author)**
Accounting Department, Faculty of Economics and Business,
Muhammadiyah University of Surakarta
Jl. Ahmad Yani, Pabelan, Kartasura, Surakarta, Central Java 57162, Indonesia
Email: rw120@ums.ac.id

Doddy Setiawan
Accounting Department, Faculty of Economics and Business,
Sebelas Maret University
Jl. Ir. Sutami No. 36A, Kentingan, Jebres, Surakarta (Solo), Central Java 57126, Indonesia
Email: doddy.setiawan@staff.uns.ac.id

Y. Anni Aryani
Accounting Department, Faculty of Economics and Business,
Sebelas Maret University
Jl. Ir. Sutami No. 36A, Kentingan, Jebres, Surakarta (Solo), Central Java 57126, Indonesia
Email: y_anniaryani@staff.uns.ac.id

Taufiq Arifin
Accounting Department, Faculty of Economics and Business,
Sebelas Maret University
Jl. Ir. Sutami No. 36A, Kentingan, Jebres, Surakarta (Solo), Central Java 57126, Indonesia
Email: taufiqar@staff.uns.ac.id