

19 - 21 December 2025

Berlin , Germany

Reinforcing Governance Through ESG: The Moderating Role of Sustainability in Audit Committee Effectiveness Empirical Evidence in China

Ines Bouaziz Daoud , Emna Eleuch

Faculty of Economics and management, University of Sfax, Tunisia

Abstract

This study investigates how Environmental, Social, and Governance (ESG) performance moderates the relationship between audit committee characteristics and financial reporting quality (FRQ) among Chinese listed firms. Drawing on agency theory, stakeholder theory, transparency theory, legitimacy theory, and the resource-based view, the research explores whether audit committee independence and financial expertise enhance FRQ and whether these effects are strengthened by superior ESG performance. Using panel data from 97 Chinese firms spanning 2017–2023, the study applies Feasible Generalized Least Squares (FGLS) and moderated regression analysis to examine these interactions. The results reveal that both audit committee independence and expertise positively affect financial reporting quality. Moreover, ESG performance significantly amplifies these relationships, suggesting that firms with robust ESG engagement provide a more transparent and disciplined environment that allows audit committees to exercise stronger oversight. These findings emphasize that ESG performance operates not merely as an external disclosure tool but as a reinforcing internal governance mechanism. The study contributes to the literature by integrating ESG into the governance–reporting framework and by offering evidence from an emerging market context. Practical implications highlight the importance for regulators, investors, and firms to align ESG initiatives with corporate governance strategies to enhance financial transparency and accountability.

Keywords: ESG Performance, Audit Committee Independence, Financial Expertise, Financial Reporting Quality, Corporate Governance