“The impact of audit committee features on environmental and community disclosure – empirical evidence from GCC countries”

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THE IMPACT OF AUDIT COMMITTEE FEATURES ON ENVIRONMENTAL AND COMMUNITY DISCLOSURE – EMPIRICAL EVIDENCE FROM GCC COUNTRIES

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Abstract

This study examines the extent of environmental and community disclosures and evaluates how audit committee features influence such disclosures among listed firms in Bahrain and Kuwait, Gulf Cooperation Council (GCC) countries of emerging markets. The research employs an unweighted disclosure index comprising 18 items related to environmental and community disclosures, analyzing 432 firm-year observations across Bahrain and Kuwait covering a nine-year period (2015–2023). Three audit committee features (independence, number of meetings, and size) along with the number of other board committees are examined in this empirical investigation. Descriptive analysis indicates that the sampled firms offer 44.25% and 60.60% of environmental and community information, respectively, signaling a satisfactory disclosure level in Bahrain and Kuwait. This demonstrates progress compared to prior studies in GCC countries. Hierarchical Multiple Regression models demonstrate that all four models significantly describe the dependent variables. Regression model four exhibits the highest explanatory power in explaining community information. Audit committee independence and size emerge as determinants of community information, while only audit committee independence is associated with environmental information. The results of this study bear significant implications for governmental bodies and regulatory authorities aiming to strengthen disclosure regulations and promote corporate governance frameworks within GCC nations.

Keywords disclosure, audit committee independence, audit committee number of meetings, audit committee size, Bahrain, Kuwait

JEL Classification M41, Q56, M42

INTRODUCTION

Listed firms are facing increasing demands from a spectrum of stakeholders, governments, and society to adhere to responsible practices (Mallin et al., 2013). This growing pressure has prompted companies to prioritize environmental, community, and social concerns, necessitating transparent disclosures on their performance in these areas. In this context, corporate governance mechanisms, particularly audit committee practices, play a crucial role in overseeing firms' actions and decisions that impact stakeholders. The effectiveness of the corporate governance framework is intricately tied to corporate social responsibility (CSR) reporting, influencing how companies communicate their community and environmental initiatives. Consequently, there is an emerging interest in exploring the scope of CSR disclosure and its interaction with various corporate governance mechanisms.

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In emerging market countries such as the Gulf Cooperation Council (GCC) countries, several studies have examined CSR disclosure practices. For example, Khasharmeh and Desoky (2013) delved into online CSR reporting levels in GCC nations, while Al-Ajmi et al. (2015) explored the relationship between CSR reporting and firm characteristics in Kuwait. The current study specifically focuses on environmental and community disclosures among listed companies in Bahrain and Kuwait, contributing to the expanding body of research in this domain. While previous research has examined CSR disclosure as a unified category or segmented it into areas such as social, environmental, employee-related, community involvement, and product quality information, there is a notable gap in studies specifically dedicated to environmental and community disclosures, which are the primary focus of this investigation.

Investigating the influence of audit committee features and the presence of other board committees on environmental and community disclosures in the GCC region, particularly in Bahrain and Kuwait, is the main objective of this empirical study. The research aims to evaluate the extent of environmental and community disclosures among sampled firms in Bahrain and Kuwait, both members of the GCC, and analyze how audit committee characteristics, as well as the presence of other board committees (including remuneration, corporate governance, sustainability, and nomination committees), impact the environmental and community disclosures of listed companies in these regions. The community is recognized as a crucial stakeholder group for firms, and disregarding community expectations can pose reputational risks (Bebbington et al., 2008). Community disclosure encompasses a spectrum of initiatives such as health programs, charitable contributions, educational support, and other community engagement endeavors. Moreover, escalating pressures from the community, regulators, and environmental organizations have impelled firms, particularly those with environmental footprints, to pay closer attention to their environmental performance and disclosures.

Bahrain and Kuwait, the focus of this study, represent GCC nations with limited prior research on environmental and community disclosure. The existing accounting literature in this research domain has predominantly centered on countries with advanced stock markets. The outcomes of this study can offer insights into how audit committee characteristics influence environmental and community disclosures in emerging market countries like Bahrain and Kuwait, which share similar cultural and legal backgrounds. These nations have growing capital markets with substantial insider shareholding and have corporate governance codes influenced by American and European standards.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

An effective audit committee can improve the information quality provided to various stakeholders and enhance the internal auditing process. It can also help auditors challenge management and advance their independence. It is recommended that audit committee members come from diverse backgrounds, but in some countries, at least a member has knowledge or experience in accounting, finance, or business. The KPMG report (2006) outlines five guiding principles for the audit committee to perform its role: identifying one size does not fit all, ensuring the right people are included, monitoring the right tone, ensuring oversight processes enable understanding of responsibilities, key roles, and risks, and exercising direct obligation for the outside auditor.

The Kingdom of Bahrain (Bahrain) is seen as one of the highest open economies in the Middle East and one of the financial centers in the area. Bahrain Stock Exchange, founded in 1987, formally started operations in June 1989 (BHB, 2023). The Bahraini corporate governance code was endorsed at the beginning of 2011, and listed companies must use it by the end of 2011. The Bahraini corporate governance code, which was updated and reissued in 2018, contains 9 main principles that adhere to international best practices enhancing more disclosure and transparency, effective board, and equal rights of all shareholders. According to the Bahraini corporate gover-

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nance code, the board of directors (BoD) intends to set up specific committees as required, besides the audit committee, nomination, governance, and remuneration committees. According to the Bahraini corporate governance code, the audit committee shall practice four main functions and responsibilities: “1. Review the firm’s accounting and financial practices; 2. Review the credibility of the firm’s financial control, internal control and financial statements; 3. Review the firm’s compliance with legal requirements; and 4. Recommend the appointment of an external auditor, determine the audit fees and compensations and oversee the auditor’s work” (MICT, 2018, p. 46).

Boursa Kuwait was established in 2014 to replace the Kuwait Stock Exchange and become the country’s formal stock exchange applicable since April 2016 (BK, 2023). Previously, the Kuwait Stock Exchange was founded in 1944 as the oldest stock market in the GCC region (BK, 2023). Based on these executive rules of corporate governance, the firm’s board is required to create specialized independent committees such as audit committees, risk management committees, and remuneration and nomination committees to help the board achieve its duties. The Kuwaiti Code of Corporate Governance commands all listed firms to obtain an audit committee comprised of three independent and non-executive members as a minimum.

Several theoretical perspectives offer different explanations and motivations for the disclosure of CSR. Scholars primarily use stakeholder theory (Freeman, 2010; Al Amosh & Mansor, 2018), and legitimacy theory, agency theory (Haniffa & Cooke, 2002; Desoky, 2024) to offer appropriate foundations for their judgments concerning CSR disclosure practices.

For instance, stakeholder theory acts as a primary theoretical background for identifying the practices of CSR. Based on the stakeholder theory, organizations would conduct for the advantage of all entailed groups (the public, the government, employees, customers, suppliers, and other stakeholders), not only the present shareholders. This theory offers a perspective on how management could fulfil the requirements and ambitions of stakeholders in a number of areas, including disclosure as one of their most significant demands (Al Amosh & Mansor, 2018). Stakeholder theory contends that businesses must consider the needs of all their stakeholders (Freeman, 2010).

Additionally, businesses use the agency hypothesis as justification for their CSR initiatives. According to the agency theory, if firms’ directors or their agents have incentives, they can be more likely to voluntarily provide information (Haniffa & Cooke, 2002). According to this theory, firms’ directors may have interests that are different from the firm’s owners (Jensen & Meckling, 1976). Agency theory states that managers can gain a number of advantages by providing more voluntarily supplied information, like CSR data.

Conversely, legitimacy theory is one of the most frequently used theories in CSR activities. According to Arrigo et al. (2022), the legitimacy theory supposes the existence of a social contract that ties the company and society together. A firm would be considered legitimate if it met society’s expectations; if not, that legitimacy would be in danger. As a result, businesses are acting proactively to establish their legitimacy and prevent a legitimacy gap. Businesses may utilize CSR to show their credibility and respond to any worries or complaints from relevant parties. The legitimacy idea is essential for evaluating the relationship between a corporation and its society.

The accounting literature provides many research studies on the disclosure of CSR area and its relationship with corporate governance, involving features of audit committees. Certain studies fully or incompletely investigated the environmental and community disclosure practice and identified various factors. For instance, Yekini et al. (2015) observed the relationship between board independence and the quality of community reporting by UK “FTSE 350” firms and reported a significant relationship between board independence and the quality of community disclosure. They concluded that UK listed firms with more non-executive board members are expected to provide better information of high quality on their community performance than others. Ndinda et al. (2015) explored the extent of CSR disclosure including environmental, employee welfare, community involvement, and product safety in the Nairobi securities exchange. They reported that firms disclose

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more information only on community involvement, while less information is reported on "product/service safety" as well as "employee welfare" categories of CSR disclosure.

Using a sample of Turkish listed firms, Akbas (2016) studied the association between board features and firms' environmental disclosure in non-financial firms listed in the Turkish Stock Market. Board size is reported to be positively linked with environmental disclosure, while gender diversity, audit committee independence, and board independence are employed as independent variables. Chariri et al. (2017) stated that firm size, industry, audit committee number of meetings, and audit committee independence positively affect environmental performance in 136 firms listed on the Jakarta Stock Exchange. Buallay and Al-Dhaen (2018) stated that audit committee size, number of meetings, and independence significantly positively impact sustainability report disclosure in 59 GCC banks over five years. Menasha and Dagher (2020) use content analysis of annual reports of sixteen UAE banks over six years (2006-2011) to investigate the factors influencing and the scope of CSR disclosure by UAE national banks. The largest disclosure for the six years is observed in human resources and community, and major explanatory factors appear to include bank size and financial performance indicators.

Employing a sample of 43 service businesses listed on the Amman Stock Exchange (ASE) from 2012 to 2020, Abu Afifa et al. (2023) report that CSR reporting positively and significantly correlates with board size, gender diversity, and the number of board meetings. Using a sample containing 1,260 firm observations, the study uses the Bloomberg ESG rating to assess ESG transparency. They report a significant correlation between the degree of ESG disclosure and board diligence, gender diversity, and composition. However, ESG disclosure and board size do not appear to be significantly correlated.

Based on the above literature review, it is evident that there is limited research exploring the effects of audit committee features and the presence of additional board committees on environmental and community disclosure, with a specific gap in understanding of Bahrain and Kuwait. Therefore, this study endeavors to advance current scholarship by investigating the extent of environmental and community disclosure and evaluates how audit committee features influence such disclosures among listed firms in Bahrain and Kuwait, significant GCC countries within emerging markets.

An audit committee is crucial for corporate governance objectives and vital in observing and reviewing accounting, financial, and business policies, including those concerning environmental and community disclosure. It is free of conflicts of interest and independent, as the members monitor risk management procedures and the negative effect of operations on the environment and community (Chariri et al., 2017). An audit committee can maintain legitimacy in the providers' eyes of external resources (Spira, 1999). The structure of an audit committee with independent and dependent members is essential for affecting disclosure levels. Bedard and Gendron (2010) declare that independent audit committee members can perform their role independently and objectively since they have no economic or personal association with the firm's management. Previous research shows a positive connection between audit committee independence and the level of CSR reporting (Buallay & Al-Dhaen, 2018; Chariri et al., 2017). In contrast, no association is found by Akbas (2016) and Habbash (2016).

The Bahraini and Kuwait corporate governance codes require that the audit committee meet regularly to fulfill their responsibilities. High occurrence of audit committee meetings is crucial for monitoring managers' decisions, including internal auditing, fees, accounting policies, and non-financial disclosures like environmental and community disclosure. An active audit committee with high meetings frequency can better discharge their duties and monitor management performance (Harun et al., 2020). The legitimacy theory supposes that firms fight to obtain legitimacy from society due to social contracts. The audit committee helps ensure that policies, including community and environmental policies, affiliate with stakeholder interests and social contracts. The efficiency of the audit committee, including its frequency, is presumed to influence a firm's environmental and community disclosure. Most studies show a positive correlation between the audit committee frequency and CSR disclosure (Buallay & Al-Dhaen, 2018; Chariri et al., 2017), while others (Madi et al., 2014) proposed that audit committee is non-significantly correlated with CSR disclosure.

Corresponding to the legitimacy theory, a larger audit committee might be seen as obtaining more legitimacy since it is more expected to have a diverse range of opinions and areas of expertise, and it may be better equipped to fulfill its oversight duties. Prior research (Bedard & Gendron, 2010) implies that a large-size audit committee is willing to carry expertise, a variety of viewpoints, experiences, and various skills to guarantee effective observation. Furthermore, Budiharta and Br Kacaribu (2020) indicated that the number of members in the audit committee affects its efficiency in observing financial reporting practice, including the disclosure of CSR. Most previous studies report a positive link between CSR disclosure and audit committee size (Buallay & Al-Dhaen, 2018; Alotaibi & Hussainey, 2016). However, no correlation between audit committee size and CSR disclosure is reported by other prior research (Othman et al., 2014).

Corporate governance codes, including those of Bahrain and Kuwait, highlight the importance of creating board committees (e.g., nominating, corporate governance, governance and public affairs, remuneration or compensation, and sustainability committees). Soana and Crisci (2017) pointed out that the board of directors appoints these expert board committees to support the board ensuring that the firm is being decisively managed. These board committees play a vital function in establishing and maintaining a firm's legitimacy. For example, Salem and Zouari (2016) found that firms with more independent nomination committees are perceived as more legitimate by their stakeholders. Board committees perform a significant function in this process by providing oversight and unrelated reviews of a firm's policies and practices in these areas. Further, it is presumed that firms with more independent board committees are associated with greater perceived legitimacy by stakeholders. The literature provides some verification of the positive effect of creating these committees on various affairs of the firm (Orazalin, 2020). However, Alotaibi and Hussainey (2016) report a negative link between CSR disclosure and the size of the remuneration committee.

In the light of the above argument and to realize the main purpose of the current study, four research hypotheses are formulated as follows:

H1: *Audit committee independence is significantly correlated with the extent of environmental and community disclosure by firms listed in Bahrain and Kuwait.*

H2: *Audit committee number of meetings is significantly positively correlated with the extent of environmental and community disclosure by firms listed in Bahrain and Kuwait.*

H3: *Audit committee size is significantly positively correlated with the extent of environmental and community disclosure by firms listed in Bahrain and Kuwait.*

H4: *The number of other board committees is significantly positively correlated with the extent of environmental and community disclosure by firms listed in Bahrain and Kuwait.*

2. RESEARCH METHODS

This study examines listed firms in Bahrain and Kuwait, covering five industry types: Industrial, Technology & Telecommunications, Energy, Basic Materials & Construction, and others. The sample is limited to firms that disclose at least one item of environmental and community disclosure. Over nine years, 432 firms-year observations are used, with 16 and 32 firms selected each year from Bahrain and Kuwait. Table 1 provides details of the study sample.

Table 1. Firms included in the current empirical investigation

Firms	Bahrain	Kuwait	Total
Listed firms	43	161	204
Firms selected for the study	17	34	51
Excluded firms	1	2	3
Firms included in the study	16	32	48
Firm-year observations (9 years)	144	288	432
Percentage of selected firms	33.3%	66.7%	100%

Note: Details of the sampled firms are obtainable upon request.

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Table 2. Dependent variable

No.	Category	Items order	Number of Items	Symbol	Sources of Items
1	Environmental information	01 – 08	08	TOTGR1	Ndinda et al. (2015), Mousa et al. (2018), Desoky (2024)
2	Community information	09 –18	10	TOTGR2	Al-Ajmi et al. (2015), Ndinda et al. (2015), Yekini et al. (2015), Mousa et al. (2018), Desoky (2024)

This study uses an unweighted index to assess the extent of environmental and community disclosure (the dependent variable). The index counts all environmental and community disclosure items equally utilizing a dichotomous method, with an item counting (1) if the item is disclosed and (0) otherwise. Many authors support this approach, indicating that all included information items are equal in importance (Desoky, 2009; Al-Ajmi et al., 2015). The effective usage of this methodology (the disclosure index) relies on cautious and critical choice of information items. The study made efforts to construct the index, reviewing previous research on the two categories of environmental and community disclosure used in the investigation. The final index includes 18 items, categorized into two types, as revealed in Table 2.

Table 3 presents both independent and control variables, their symbols, predicted signs, and measurements. The literature shows associations between environmental and community disclosure level and some firm characteristics like size, profitability, and corporate governance variables like board independence and CEO duality. This study considers five firm characteristics and corporate governance variables as control variables.

This study used four regression models "Hierarchical Multiple Regression – HMR" with an enter method for each dependent variable, TOTGR1 and TOTGR2. The models are performed on control and independent variables. The first and second models are used for the first group of environmental and community disclosure (TOTGR1, items 1 to 8), while the third and fourth models are used for the second group (TOTGR2, items 9 to 18). HMR regression models, models 1 and 3, involved the two main dependent variables (TOTGR1 and TOTGR2) with only control variables, while models 2 and 4 involved dependent variables with all variables, independent and control. Regression diagnostics are used to decide if two or more independent variables are likely to be multicollinear and to demonstrate that multicollinearity is not an issue. The next equations are employed:

Models 1 & 3:

$$Y\left(TOTGR1\,\&\,TOTGR2\right)=\beta_0+\beta_1 BOSIZE +\beta_2 BOINDE+\beta_3 FISIZE+\beta_4 FIROE +\beta 5\ INDUST+\varepsilon. \quad (1)$$

Table 3. Independent and control variables

Variables	Symbol	Predicted sign	Measurement
Independent variables			
1. Audit committee independence	ACINDE	+ or –	% of audit committee independent members
2. Audit committee number of meetings	ACNMEE	+	Number of meetings dominated by the audit committee
3. Audit committee size	ACSIZE	+	Number of audit committee members
4. Number of other board committees	NOTHEC	+	Number of other board committees
Control variables			
1. Board size	BOSIZE	+	Number of board members
2. Board independence	BOINDE	+	% of non-executive members
3. Firm size	FISIZE	+	Firm total assets
4. Firm profitability	FIROE	+	Firm returns on equity (ROE)
5. Industry type	INDUST	+ or –	Five different industry types

Notes: 1. Data on all variables are gathered at each financial year end. 2. Expected sign of each variable is grounded by the findings of previous studies. 3. Profitability and firm size are stated in US$.

Models 2 & 4:

$$Y(TOTGR1 \& TOTGR2) = \beta_0 + \beta_1 ACINDE + \beta_2 ACMEET + \beta_3 ACSIZE + \beta_4 NOTHEC + \beta_5 INDUST + \beta_6 BOSIZE + \beta_7 BOINDE + \beta_8 FISIZE + \beta_9 FIROE + \varepsilon. \quad (2)$$

where *Y* indicates to the level of environmental and community disclosure "the dependent variable and (*ACINDE*, *ACSIZE*, *ACMEET,* and *NOTHEC*) are independent, while *BOSIZE*, *BOINDE*, *FISIZE*, *FIROE,* and *INDUST* are control variables. β_0 is the "constant"; $\beta_{i, i=1,...,8}$, represent the parameters, while ε is the error term.

3. RESULTS AND DISCUSSION

Table 4 displays the descriptive results of 432 firm-year observations. It reveals that 77% is the average percentage of audit committee independence with 33% as a minimum, while 100% is the maximum, indicating that most audit committees of firms listed in Bahrain and Kuwait are controlled by independent members. Further, it indicates that the greatest number of audit committee meetings is 7, the lowest is 0, while 3.85 is the average. These figures show that, on average, around four audit committee meetings are held every year in the sampled firms throughout the study period. Amran et al. (2010) suggest that the number of audit committee meetings should not be less than three per annum to improve firms' sustainable reporting. Further, the table shows that the audit committee size ranges from two to six members, with 3.68 as a mean score. The highest number of other board committees is 7 with an average of 4.22, while the lowest is 1. Other committees formed by the sampled firms include risk, nomination, remuneration, and corporate governance.

The mean score for "environmental information" or TOTGR1 is 3.54, showing 44.25% of the 8 items in the index. The highest score is 8, while the lowest score is 0. At least one firm disclosed all environmental information items. Khasharmeh and Desoky (2013) report lower levels of environmental information, such as GCC listed firms providing low-level online environmental information (23.85). Table 4 reveals 6.06 as the mean score for "community information" (TOTGR2), representing 60.60% of 10 items in the disclosure index. This indicates the above-average level of community information reported by the sampled firms. Previous studies in the GCC area (Khasharmeh & Desoky, 2013) find that GCC listed firms provide below average level of community and social information (35.9%).

Table 5 shows correlation results and reveals that the first and third independent variables, ACINDE and ACSIZE, are found positively associated with the second sub-dependent variable TOTGR2, the

Table 4. Descriptive results

Study variables		Min.	Max.	Mean / (%)	S.D.
Dependent variable					
TOTGR1 (2015–2023)		0	8	3.54 / (44.25)	2.492
TOTGR2 (2015–2023)		2	10	6.06 / (60.60)	1.980
Independent variables					
Audit committee independence		.33	1.00	.76	.19
Audit committee number of meetings		0	7	3.94	1.34
Audit committee size		2	6	3.98	.83
Number of other board committees		1	7	4.22	1.09
Control variables					
Board size		5	11	7.15	2.109
Board Independence; (%)		0	100	71.56	20.38
Firm size		6762742	11881755402	1258981006	2612436847
Firm profitability		–66.29	61.70	6.1554	18.37
Industry type	(1) 18.8%	(2) 14.6%	(3) 12.5%	(4) 16.7%	(5) 37.4%

Note: 1. The above results are based on 432 firms. 2. More details on these variables are available in Table 3. 3. The above information contains a 9-year period (2015-2023). 4. Amounts are in US$.

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Table 5. Correlation results

Variables	ACINDE	ACNMEE	ACSIZE	NOTHEC	BOSIZE	BOINDE	FISIZE	FIROE	INDUST	TOTGR1	TOTGR2
ACINDE	1										
ACNMEE	–.251**	1									
ACSIZE	–.041	.136	1								
NOTHEC	.053	–.046	.220**	1							
BOSIZE	.134	.150	.397**	.212*	1						
BOINDE	.279**	–.068	.202*	.157	.380**	1					
FISIZE	–.011	.211*	.034	.054	.105	–.053	1				
FIROE	.157	–.097	.031	.105	–.045	.007	.074	1			
INDUST	–.061	–.180*	–.098	–.007	–.181	.069	–.124	.122	1		
TOTGR1	.241**	.125	–.058	.077	–.094	–.175*	.139	–.096	–.360**	1	
TOTGR2	.306*	.157	.247**	.133	.132	.193*	.265**	.168*	–.170*	.428**	1

Note: ** Correlations are significant at the .01 level "2-tailed". Coefficients are built on 432 observations.

community information, with moderate and low coefficient values of 0.306 and 0.265, respectively. Furthermore, only ACINDE is found significantly associated with the first sub-dependent variable TOTGR1, environmental information. A substantial note concerning the correlation analysis is even though the results verify certain significant links between independent variables (ACINDE vs. ACNMEE and ACSIZE vs. NOTHEC) and control variables (BOSIZE vs. BOINDE), reported correlations, which are .251, .220, and .380, respectively, and do not go beyond .70. This indicates no major problem of multicollinearity in this study.

The HMR is used to eliminate the possible influence of control variable(s) and to detect which one of the four independent variables contributes to the prediction of environmental and community disclosure, the dependent variables. Regression results are displayed in Tables 6 and 7. A general note on regression findings is that the four models are significant ($p \leq 0.05$) with different values of R^2, adjusted R^2 and R^2 change. Table 6 reveals that model 1 is significant (p-value is 0.012) in describing the first sub-dependent variable (TOTGR1), related to environmental information, with the F-value of 6.022 and adjusted R^2 of 11.4%. Model 2 is also significant (p-value is 0.003) with the F-value of 3.971 and adjusted R^2 of 16.1%. Model 2 shows an R^2 change of 5.8%, implying that independent variables in the current study explain a further 5.8% of environmental information (the first sub-dependent variable). The findings of the HMR analysis are consistent with correlation findings.

The study's findings on the first sub-dependent variable (environmental information) suggest that none of the independent variables explain the sub-dependent variable except (ACINDE). This con-

Table 6. Regression results (Models 1 and 2, TOTGR1)

Variables	Model (1) R^2 = .179, adjusted R^2 = .114, R^2 change = .179 F = 6.022, Sig = .012			Model (2) R^2 = .237, adjusted R^2 = .161, R^2 change = .058 F = 3.971, Sig = .003		
	Beta	**t**	**Sign**	**Beta**	**t**	**Sign**
Constant	–	7.710	.001	–	4.340	.001
BOSIZE	–.138	–1.600	.112	–.141	–1.523	.130
BOINDE	–.092	–1.083	.281	–.064	–.728	.468
FISIZE	.109	1.388	.176	.094	1.183	.239
FIROE	–.066	–.847	.399	–.055	–.685	.494
INDUST	–.357	–4.448	.001	–.369	–4.539	.001
ACINDE				.115	1.354	.047
ACMEET				.037	.442	.659
ACSIZE				–.069	–.780	.437
NOTHEC				.137	1.702	.091

tradicts previous research, such as Akbas's (2016) finding, that audit committee independence is not correlated with environmental disclosure by Turkish listed firms. These results indicate that only *H1* is accepted for the first sub-dependent variable (environmental information), while *H2*, *H3* and *H4* are rejected.

Table 7 proves that HMR models 3 and 4 are statistically significant (p-value of 0.001 and 0.002, respectively) in justifying the second sub-dependent variable (TOTGR2), which is community information. Model 4 has the highest explanatory power (23.3%), explaining an additional 14.8% of the community information. Two independent variables (ACINDE and ACSIZE) significantly explain the second sub-dependent variable, while the other two do not. The HMR findings on the second sub-dependent variable are also consistent with correlation analysis results, as only two independent variables are associated with TOTGR2.

The regression results indicate that *H1* and *H3* are accepted for the second sub-dependent variable (community information), while *H2* and *H4* are rejected. This is consistent with previous studies (Buallay & Al-Dhaen, 2018; Alotaibi & Hussainey, 2016) showing that an independent audit committee is positively associated with CSRD in GCC countries. Additionally, the results partially support Yekini et al.'s (2015) finding that audit committee meetings and size significantly impact the community disclosure of UK FTSE 350 firms. Nonetheless, this result conflicts with previous studies that indicated that the number of audit committee meetings positively and significantly impact sustainability reporting by listed banks in GCC firms.

The results of this study propose that listed firms in Bahrain and Kuwait are now further involved in environmental and community disclosure, which might indicate that they are now further responsible in their business concerning environmental and community information. It should be noted that sampled firms in Bahrain and Kuwait provide more community information (60.60%) than environmental information (44.25). One possible reason is that listed firms in both countries are not subject to corporate tax, resulting in more interest in supporting and financing many activities in their community. In general, HMR results indicate that only one independent variable (ACINDE) statistically explains the environmental information represented (TOTGR1), while two out of four independent variables, namely audit committee independence (ACINDE) and audit committee size (ACSIZE), statistically contribute to the prediction of the community information represented as (TOTGR2).

The above regression results, especially models 2 and 4, support the idea that the structure of an audit committee with independent and dependent members is a key factor that may affect the extent of environmental and community disclosure. The existence of independent members in the audit committee might improve its role since

Table 7. Regression results (Models 3 and 4, TOTGR2)

Variables	Model (3) R^2 = .181, adjusted R^2 = .142, R^2 change = .181 F = 5.429, Sig = .001			Model (4) R^2 = .329, adjusted R^2 = .233, R^2 change = .148 F = 4.268, Sig = .002		
	Beta	**t**	**Sign**	**Beta**	**t**	**Sign**
Constant		6.138	.000		6.389	.151
BOSIZE	.021	0.450	.654	–.109	–1.182	.239
BOINDE	.217	2.230	.027	.191	2.189	.030
FISIZE	.242	3.251	.001	.223	2.811	.006
FIROE	.170	1.82	.062	.151	1.912	.058
INDUST	–.176	–2.167	.032	–.146	–1.808	.073
ACINDE				.073	.866	.038
ACMEET				.119	1.429	.155
ACSIZE				.219	2.564	.011
NOTHEC				.051	.636	.525

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they have no economic or personal relations with the firm's administration. Moreover, the current study supports the argument that large-size audit committees may guarantee efficient monitoring of the firm's administration and could affect the audit committee's efficiency in monitoring the process of financial reporting including environmental and community disclosure (particularly the community information. Further, this study supports the claim that the audit committee can assist businesses in establishing and upholding their credibility in the eyes of outside resource suppliers (Spira, 1999).

On the contrary, HMR results revealed that the audit committee's number of meetings and the existence of other board committees are not statistically linked with any environmental and community disclosure. The findings of this study confirm the expectation that corporate governance monitoring mechanisms such as audit committees (independence and size) impact environmental and community disclosure, while the presence of board committees does not. Furthermore, the results of this study recommend that legitimacy theory plays a significant role in explaining environmental and community disclosure. Legitimacy theory suggests that a firm's disclosure of social, community, environmental, products, and other linked information is influenced by the firm's desire to legitimize its diverse activities. The current study supports the above argument, especially concerning community disclosure. The findings confirm the claim underlying the legitimacy theory that a firm's administration can influence the community toward it. Furthermore, it supports the argument that if a firm's activities have a negative impact on the community, the firm's management will seek to restore its reputation by disclosing additional information, such as environmental and community information.

CONCLUSION

This study examines the extent of environmental and community disclosure and evaluates how audit committee features influence such disclosures among listed firms in Bahrain and Kuwait, GCC emerging market countries. The findings show that the sampled firms in Bahrain and Kuwait exhibit a creditable level of environmental and community disclosure, showing an improvement compared to previous studies conducted in other GCC nations. Only audit committee independence and size significantly influence community disclosure, with audit committee independence being the only variable impacting environmental information. Furthermore, this study suggests that legitimacy theory plays a fundamental role in explaining environmental and community disclosure, particularly concerning community disclosure, as firms strive to legitimize their diverse activities through social, environmental, community, and product information disclosure.

This study significantly enriches the body of knowledge on emerging markets, with a specific focus on the GCC area, by conducting a detailed analysis of how the features of audit committees and the presence of board committees impact the extent of environmental and community disclosure practices among listed firms in Bahrain and Kuwait. It offers valuable insights for investors and businesses operating in emerging economies, shedding light on the crucial role of audit committee independence in driving environmental disclosure and the combined influence of audit committee independence and size on community-related disclosures.

This study presents a new awareness of the effect of audit committee features on environmental and community disclosure practices, emphasizing the crucial role of audit committee independence in driving environmental and community disclosure. The study suggests increasing the independence of audit committee members. Regulators can use these insights to shape governance regulations, especially regarding audit committee structures and environmental and community disclosure for environmentally sensitive firms. Additionally, by integrating environmental and community disclosure into business strategies, this study offers practical guidance for corporate managers and policymakers, stressing the benefits of aligning disclosure practices with sustainable business goals.

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This study suffers from several limitations. Firstly, the sample size is relatively small. Secondly, it concentrates exclusively on the quantity of environmental and community disclosure, ignoring their qualitative aspects. Thirdly, the environmental and community disclosure index comprises only 18 information items, suggesting a need for expansion in future studies. Fourthly, factors like audit committee members' financial expertise and gender are not explored in this study. Lastly, the study is restricted to Bahrain and Kuwait, limiting generalizability due to varying economic and regulatory circumstances across countries. To address these limitations, future research should consider enlarging the sample size, enhancing the depth of environmental and community disclosure coverage, exploring additional audit committee features and firm characteristics, and diversifying industry representation.

AUTHOR CONTRIBUTIONS

Conceptualization: Abdelmohsen Desoky.
Data curation: Abdelmohsen Desoky.
Formal analysis: Abdelmohsen Desoky.
Investigation: Abdelmohsen Desoky.
Methodology: Abdelmohsen Desoky.
Software: Abdelmohsen Desoky.
Supervision: Abdelmohsen Desoky.
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