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YU ZHONGCHENG

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DISSERTATION

STRATEGIC MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY IN CHINESE LISTED COMPANIES: THE NEXUS OF CORPORATE GOVERNANCE, CSR REPORTING, AND ECONOMIC PERFORMANCE

073 Management
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Submitted for a scientific degree of Doctor of philosophy

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Yu Zhongcheng

Scientific supervisor: **Oleh Pasko** Ph.D. in Economics, Associate Professor

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Yu Zhongcheng

数字签名者：于中成
DN：cn=于中成,
o=Sumy National
Agrarian
University, ou=Sumy
National Agrarian
University,
email=1172292808@qq
.com, c=CN
日期：2025.05.30
20:53:00 +08'00'

ANNOTATION

Yu Zhongcheng. STRATEGIC MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY IN CHINESE LISTED COMPANIES: THE NEXUS OF CORPORATE GOVERNANCE, CSR REPORTING, AND ECONOMIC PERFORMANCE - Qualifying scientific work on manuscript rights.

Dissertation for obtaining the scientific degree of Doctor of Philosophy in specialty 073 - Management. – Sumy National Agrarian University, Sumy, 2025.

This dissertation investigates the strategic management of Corporate Social Responsibility (CSR) in Chinese listed companies, focusing on how governance structures, leadership dynamics, and ESG practices are integrated into corporate strategy. Against the backdrop of China's rapid economic growth and increasing global expectations for sustainability and accountability, the study explores how Chinese firms evolve from compliance-driven CSR to strategically embedded sustainability frameworks that align with both national priorities and international standards.

The research develops a robust conceptual framework that integrates measurable ESG performance indicators with CSR's ethical and stakeholder-centered principles. This integrated CSR–ESG model moves beyond traditional, fragmented approaches by offering a cohesive system that unites compliance, strategy, and cultural adaptation. The framework aims to bridge operational realities with theoretical imperatives, enabling companies to navigate complex sustainability challenges while maintaining competitive advantage.

A key contribution of the dissertation is the creation of a data-driven typology of CSR strategies. Companies are classified into distinct categories - Leaders, Developers, and Minimalists - based on their intensity and focus of CSR engagement across key dimensions such as environmental protection, employee welfare, corporate governance, and ethical business conduct. The typology provides a practical tool for benchmarking and allows firms to assess their CSR maturity relative to industry peers.

The empirical component of the research examines how board characteristics - such as size, independence, CEO duality, meeting frequency, and the presence of specialized committees - affect ESG performance and sustainability reporting. The findings reveal that board independence and active CSR committees are consistently linked to improved ESG transparency and accountability, whereas factors like CEO duality and board size produce mixed effects. These insights challenge assumptions drawn from Western governance models and highlight the need for context-specific approaches in emerging markets.

Another innovative aspect of the dissertation is its focus on managerial overconfidence and its influence on ESG outcomes. The study finds that overconfident executives tend to drive more ambitious CSR agendas, particularly in the social and environmental pillars, though the magnitude of their impact varies across firms. This result provides a nuanced understanding of how leadership psychology intersects with sustainability performance, underscoring the need for balanced governance mechanisms that both empower and monitor executive decisions.

The research also delves into the relationship between ESG performance and financial outcomes, confirming that environmental, social, and governance components exert distinct and significant effects on profitability. Notably, the study identifies regional disparities within China: ESG-driven financial gains are more pronounced in economically less developed regions, while firms in coastal and highly regulated areas display more modest financial returns from CSR investments. This regional analysis offers valuable insights for both policymakers and investors aiming to tailor sustainability strategies to local contexts.

Additionally, the dissertation examines the intersection of CSR, internal control systems, and board gender diversity. Contrary to some existing literature, the findings indicate that increased female representation on boards does not uniformly strengthen internal controls in high-CSR firms within China. This suggests that cultural and institutional factors may moderate the expected positive impacts of gender diversity on governance outcomes, inviting further research into how gender dynamics operate in different socio-economic environments.

The study's methodological approach combines system analysis, normative research, comparative methods, and rigorous empirical techniques. Panel data regression models, cluster analysis, and robustness tests are applied to ensure the validity and reliability of the findings. The research design emphasizes both breadth and depth, integrating macro-level policy considerations with firm-level governance and operational data.

Building on these empirical insights, the dissertation introduces a strategic CSR management model specifically tailored to the Chinese corporate landscape. This model is anchored in six core pillars: strategic alignment with corporate vision; robust governance and accountability structures; seamless operational integration of CSR principles; transparent performance measurement using standardized ESG metrics; active stakeholder engagement; and continuous improvement through innovation and benchmarking. By embedding CSR into each layer of corporate governance and operations, the model provides a roadmap for firms seeking to institutionalize sustainability as a core business function rather than a peripheral obligation.

The dissertation also offers actionable recommendations for various stakeholders. For corporate leaders, it provides practical tools for designing and implementing CSR systems that enhance transparency, foster stakeholder trust, and create long-term business value. For investors, it highlights governance quality as a key indicator of genuine sustainability commitment, assisting in more accurate risk assessment and investment decision-making. For policymakers, the research underscores the importance of strengthening regulatory frameworks that promote consistency, comparability, and integrity in CSR reporting, which in turn can enhance market confidence and drive broader adoption of responsible business practices.

In summary, this dissertation advances both theoretical and practical understanding of CSR management in China. It provides an empirically grounded, context-sensitive framework that bridges governance and sustainability, offering fresh insights for academics, business leaders, investors, and policymakers. By emphasizing the importance of integrated CSR strategies, effective governance, and leadership accountability, the study contributes to the ongoing evolution of sustainable business practices in China and offers lessons applicable to other emerging economies facing similar challenges.

Keywords: Corporate Social Responsibility (CSR); ESG; Corporate Governance; Strategic CSR; Sustainability Reporting; Non-financial reporting; Board Characteristics; Managerial Overconfidence; CSR Typology; Financial Performance; China; Stakeholder Engagement; Gender Diversity; Internal Control; Sustainable Business; CSR–ESG Integration.

АНОТАЦІЯ

Юй Чжунчень. СТРАТЕГІЧНЕ УПРАВЛІННЯ КОРПОРАТИВНОЮ СОЦІАЛЬНОЮ ВІДПОВІДАЛЬНІСТЮ У КИТАЙСЬКИХ ПУБЛІЧНИХ КОМПАНІЯХ: УЗГОДЖЕНІСТЬ КОРПОРАТИВНОГО УПРАВЛІННЯ, НЕФІНАНСОВОЇ ЗВІТНОСТІ ТА ЕКОНОМІЧНОЇ ЕФЕКТИВНОСТІ - Рукопис.

Дисертація на здобуття наукового ступеня доктора філософії (Ph.D.) за спеціальністю 073 – Менеджмент. – Сумський національний аграрний університет, Суми, 2025.

Дисертація досліджує стратегічне управління корпоративною соціальною відповідальністю (КСВ) у китайських публічних компаніях, зосереджуючи увагу на інтеграції структур корпоративного управління, динаміки лідерства та практик ESG у корпоративну стратегію. На тлі стрімкого економічного зростання Китаю та зростаючих глобальних очікувань щодо сталості та підзвітності, у дослідженні розглядається еволюція переходу китайських компаній від комплаєнс-орієнтованої КСВ до стратегічно вбудованих рамок сталого розвитку, що узгоджуються як із національними пріоритетами, так і з міжнародними стандартами.

У роботі розроблено комплексну концептуальну модель, що інтегрує вимірювані показники ESG із етичними принципами КСВ, орієнтованими на зацікавлені сторони. Ця інтегрована модель КСВ–ESG виходить за межі традиційних фрагментованих підходів, пропонуючи цілісну систему, яка об’єднує комплаєнс, стратегію та культурну адаптацію. Модель прагне поєднати операційну реальність із теоретичними засадами, дозволяючи компаніям ефективно вирішувати складні завдання сталого розвитку та водночас зберігати конкурентоспроможність.

Ключовим науковим результатом є створення типології стратегій КСВ на основі емпіричних даних. Компанії класифіковано на категорії - Лідери, Розробники та Мінімалісти - залежно від інтенсивності та фокусу їхньої участі у КСВ за ключовими напрямами: захист довкілля, добробут працівників, корпоративне управління та етична поведінка. Типологія пропонує практичний інструмент для бенчмаркінгу й дозволяє підприємствам оцінювати рівень зрілості своєї КСВ відносно галузевих стандартів.

Емпіричний компонент дослідження аналізує вплив характеристик ради директорів - таких як розмір, незалежність, подвійна роль CEO, частота

засідань та наявність спеціалізованих комітетів - на результати ESG та якість нефінансової звітності. Результати засвідчують, що незалежність ради та активна діяльність комітетів із КСВ послідовно пов'язані з підвищенням прозорості та підзвітності ESG, тоді як такі фактори, як подвійна роль CEO та розмір ради, демонструють суперечливі впливи. Ці висновки кидають виклик західноцентричним підходам до корпоративного управління та підкреслюють необхідність контекстно-специфічних рішень для ринків, що розвиваються.

Інноваційним аспектом дослідження є фокус на впливі управлінської самовпевненості на результати ESG. Установлено, що надмірно впевнені керівники, як правило, просувають амбітніші КСВ-ініціативи, особливо у соціальному та екологічному напрямах, хоча ступінь впливу варіюється між компаніями. Цей результат поглиблює розуміння взаємозв'язку між психологією лідерства та ефективністю сталого розвитку, підкреслюючи необхідність збалансованих механізмів управління.

Дослідження також розглядає взаємозв'язок між результатами ESG і фінансовою ефективністю, підтверджуючи, що екологічні, соціальні та управлінські компоненти мають різний і значущий вплив на прибутковість. Важливим результатом є виявлення регіональних відмінностей: фінансові вигоди від ESG є більш вираженими в економічно менш розвинених регіонах Китаю, тоді як компанії у прибережних регіонах демонструють скромніші фінансові результати від інвестицій у сталий розвиток.

Крім того, дисертація досліджує перетин КСВ, ефективності внутрішнього контролю та гендерної різноманітності ради директорів. На відміну від деяких попередніх досліджень, результати свідчать, що збільшення частки жінок у раді не завжди підвищує ефективність внутрішнього контролю в компаніях із високим рівнем КСВ у Китаї, що вказує на вплив локальних культурних і інституційних чинників.

Методологія дослідження поєднує системний аналіз, нормативні дослідження, порівняльні методи та емпіричні техніки. Застосовано панельні регресійні моделі, кластерний аналіз та тести на надійність результатів для забезпечення їхньої валідності. Дослідження охоплює як макрорівень (державна політика), так і мікрорівень (структури корпоративного управління).

На основі емпіричних висновків розроблено модель стратегічного управління КСВ, яка включає шість ключових стовпів: стратегічне узгодження; надійні структури управління; інтеграція КСВ у операційні процеси; прозоре вимірювання результатів; активна взаємодія зі стейкхолдерами; та безперервне вдосконалення. Ця модель надає компаніям чітку дорожню карту для інституціоналізації сталого розвитку як ключового елементу корпоративної стратегії.

Дисертація пропонує практичні рекомендації для керівників, інвесторів і регуляторів, спрямовані на підвищення прозорості, підзвітності та довгострокової конкурентоспроможності компаній. Загалом робота розширює теоретичне та практичне розуміння управління КСВ у Китаї, пропонуючи емпірично обґрунтовану й контекстно чутливу модель, яка сприяє подальшому розвитку сталих бізнес-практик у країнах, що розвиваються.

Ключові слова: Корпоративна соціальна відповідальність (КСВ); ESG; корпоративне управління; стратегічна КСВ; Нефінансова звітність; Звітність зі сталого розвитку; Типологія КСВ; Гендерна різноманітність; Внутрішній контроль; Китай; Фінансова ефективність; Залучення стейкхолдерів; Самовпевненість керівників; Склад ради директорів; Сталий бізнес; Інтеграція КСВ–ESG.

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CONTENT

LIST OF ABBREVIATIONS

Abbreviation	Full Term
Big4	Big Four accounting firms
CEO	Chief Executive Officer
CG	Corporate Governance
CSMAR	China Stock Market & Accounting Research Database
CSRC	China Securities Regulatory Commission
CSRR	Corporate Social Responsibility Report
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
GRI	Global Reporting Initiative
IC	Internal Control
LEV	Leverage
MA	Managerial Ability
ROA	Return on Assets
SASAC	State Assets Supervision and Administration Commission
SOE	State-Owned Enterprise
SOEs	State-Owned Enterprises
SR	Sustainability Reporting/report

INTRODUCTION

Relevance of the topic. The relevance of this dissertation lies in its in-depth focus on the strategic management of Corporate Social Responsibility (CSR) within Chinese listed companies—an area of increasing significance as firms navigate growing demands for transparency, accountability, and sustainable performance. While CSR has become a mainstream expectation, many Chinese firms still struggle to move beyond compliance and ad hoc initiatives, lacking the systems and governance frameworks needed to ensure that CSR delivers measurable, long-term value.

China's rapid industrialization has amplified challenges such as environmental degradation, labor rights concerns, and governance weaknesses. These pressures have elevated CSR from a voluntary activity to a strategic necessity. However, strategically embedding CSR into corporate governance and operations remains a complex task, especially in contexts where state influence, ownership concentration, and institutional diversity shape business behavior.

This dissertation critically examines the governance mechanisms and leadership dynamics - particularly the role of CEOs and senior executives - in steering effective CSR strategies. Leadership commitment is fundamental for translating CSR principles into action. CEOs and top management teams set the tone for CSR prioritization, resource allocation, and the depth of organizational engagement. Their behavioral traits, vision, and incentives can either propel or hinder meaningful CSR outcomes. Understanding how these internal factors shape CSR effectiveness is essential for developing robust, scalable management models.

The study emphasizes that successful CSR management requires an integrated framework that aligns CSR goals with corporate strategy and mission, embeds CSR across operational functions (from supply chain to HR), ensures rigorous governance through active board oversight and dedicated committees, implements clear performance measurement (KPIs, ESG ratings), and maintains ongoing stakeholder dialogue to keep CSR responsive and credible.

Moreover, the dissertation highlights the growing convergence between CSR and Environmental, Social, and Governance (ESG) frameworks. While CSR traditionally focuses on ethical commitments and stakeholder engagement, and ESG emphasizes quantifiable performance and risk management, their integration is increasingly seen as essential for achieving both legitimacy and measurable impact. This research explores how aligning CSR and ESG strategies can create synergies that enhance transparency, strengthen accountability, and deliver sustainable value.

Importantly, this dissertation also addresses a critical research gap. While previous studies have extensively explored external drivers of CSR (such as regulatory pressures and market expectations), there is limited empirical evidence on how internal governance structures—especially board composition, ownership structure, and CEO leadership—shape the strategic effectiveness of CSR in Chinese listed firms. This research bridges that gap by offering an integrated analysis of how governance, leadership, and CSR reporting collectively influence both sustainability outcomes and financial performance.

Thus, the dissertation not only advances theoretical understanding of strategic CSR management but also provides actionable insights for practitioners and policymakers seeking to institutionalize CSR as a core element of resilient and responsible corporate governance.

Connection of work with scientific programs, plans, topics. This dissertation was carried out within the framework of the scientific research activities of the Department of Accounting and Taxation at Sumy National Agrarian University, under the projects "Development of corporate reporting on sustainability / ESG reporting and its service infrastructure" (0121U100105) and "Development of corporate governance and corporate relations based on sustainable development"

(0121U100113). These research initiatives provide the foundational context for advancing corporate governance systems, with a particular focus on strengthening sustainability practices, enhancing the quality of ESG disclosures, and institutionalizing robust CSR–ESG integration frameworks. The dissertation builds on these projects by exploring how internal governance mechanisms, leadership dynamics, and strategic management processes can transform CSR from a compliance obligation into a core driver of sustainable corporate performance.

The Aim and Objectives of the study. The aim of this dissertation is to develop a strategic management framework for Corporate Social Responsibility (CSR) in Chinese public enterprises, integrating corporate governance, CSR reporting, and economic performance.

Object of the study. The object of this study is corporate social responsibility (CSR) as a multidimensional phenomenon in Chinese listed companies, encompassing its ethical, managerial, and institutional manifestations within the context of corporate governance and sustainability.

Subject of the study. The subject of this study is the strategic management of CSR in Chinese listed firms, with a focus on the internal governance mechanisms, leadership dynamics, and reporting practices that shape the integration of CSR and ESG principles into corporate strategy and performance.

The study applies a data-driven approach to analyze how governance mechanisms and CSR practices can be strategically aligned to strengthen sustainable business outcomes. By examining empirical evidence from Chinese corporate practice, the research proposes actionable strategies to embed CSR into corporate governance, operational processes, and performance measurement systems, ensuring both regulatory compliance and competitive advantage.

To achieve this aim, the dissertation sets the following objectives:

- ✓ to examine the conceptual relationship between ESG and CSR, identify overlapping domains, and develop an integrated framework that aligns measurable ESG metrics with CSR's ethical principles to support cohesive sustainability strategies. It also includes outlining practical governance-focused pathways for embedding ESG–CSR integration into corporate management systems to enhance transparency, stakeholder trust, and long-term value creation;

- ✓ Assess the influence of board composition and ownership structure on ESG performance in Chinese public enterprises, with a focus on variables such as board size, independence, CEO duality, meeting frequency, managerial shareholding, and state ownership. The task involves identifying governance mechanisms that enhance ESG outcomes and formulating evidence-based recommendations for integrating these factors into strategic CSR management;
- ✓ Develop a data-driven typology of CSR strategies among Chinese firms, classifying companies into distinct groups based on their CSR engagement intensity and focus areas. The task includes analyzing how these CSR types relate to financial performance, operational outcomes, and reputational strength, offering insights into the strategic value of comprehensive versus minimal CSR adoption;
- ✓ Analyze how board characteristics - such as size, independence, CEO duality, meeting frequency, and the number of board committees - impact sustainability reporting and ESG disclosure in Chinese listed firms. The task involves identifying which governance features most effectively strengthen ESG transparency and providing insights for integrating these mechanisms into strategic CSR management;
- ✓ Evaluate the relationship between ESG performance and financial outcomes (ROA, ROE) of Chinese listed firms, analyzing the distinct impacts of

environmental, social, and governance components. The task also includes assessing regional variations in the ESG–profitability link, providing insights into how local market conditions influence the financial value of sustainability practices;

- ✓ Investigate the effect of managerial overconfidence on ESG performance across environmental, social, governance, and overall sustainability dimensions in Chinese listed firms. The task involves identifying whether and how overconfident leadership shapes corporate ESG outcomes, with a focus on the strength and nature of impacts in each ESG pillar;
- ✓ Develop a comprehensive model of strategic CSR management that integrates governance structures, CSR implementation processes, performance measurement, and stakeholder engagement into a unified framework. The task involves designing a practical mechanism that embeds CSR into corporate strategy, ensuring accountability, transparency, and continuous improvement aligned with global best practices and the Chinese institutional context.

Research methods. This dissertation applies a comprehensive and integrated research methodology to explore the strategic management of CSR and ESG in Chinese listed companies across seven core objectives. The study combines system analysis, comparative analysis, normative research, and empirical methods to ensure a multi-dimensional investigation of governance structures, CSR strategies, ESG performance, and financial outcomes.

System Analysis Method: This method provides a holistic view of CSR and ESG as interconnected systems influenced by corporate governance, regulatory frameworks, and stakeholder dynamics. It allows the exploration of complex relationships among enterprises, state regulators, investors, and society, identifying key drivers of CSR implementation and ESG reporting within China's institutional context.

Literature Review Method: A thorough review of Chinese and international academic sources underpins the research. This method identifies critical themes and theoretical foundations, including stakeholder theory, agency theory, signaling theory, and behavioral finance, forming the conceptual framework for analyzing governance, sustainability disclosure, executive behavior, and CSR integration.

Normative Research Method: The normative approach is used to establish theoretical benchmarks and evaluative criteria for CSR and ESG practices. It supports the development of conceptual models that link governance factors, CSR performance, and strategic outcomes, framing hypotheses and guiding empirical analysis.

Quantitative (Statistical) Analysis Method: The empirical part of the research uses panel data analysis to examine the relationship between governance structures, ESG performance, and financial results. Statistical techniques include fixed-effects regression, mediation analysis, heterogeneity testing, and robustness checks. Specific tasks involve assessing the impact of board composition, ownership structure, managerial overconfidence, and governance mechanisms on ESG outcomes and profitability.

Cluster Analysis and Typology Development: To classify CSR strategies, the research applies Principal Component Analysis (PCA) and k-means clustering. This method identifies distinct CSR engagement patterns across firms, linking CSR typologies to operational efficiency, financial performance, and reputational impact.

Comparative and Regional Analysis: The study integrates comparative methods to evaluate regional differences in ESG–profitability links and governance effects. This allows the identification of local market influences and regulatory disparities that shape corporate sustainability outcomes.

Technical Methods: Robust technical tools are used to enhance reliability, including outlier adjustment, multicollinearity diagnostics, and cross-validation.

Data are processed using professional statistical software to ensure precision and replicability.

Together, these methods provide a solid framework for analyzing how governance, executive behavior, and strategic CSR integration shape sustainability performance and corporate success within China's dynamic market environment. The integrated use of these methods ensures a rigorous, multi-perspective investigation of CSR and ESG dynamics, governance impacts, and strategic outcomes. By combining theoretical models with empirical validation, the research not only deepens understanding of corporate sustainability practices but also generates original findings that advance both academic knowledge and practical application. The scientific novelty of the obtained results is detailed in the following section.

The scientific novelty of the obtained results.

For the first time:

- For the first time, this dissertation conceptualizes and formalizes a holistic framework of strategic CSR management that synthesizes multi-level governance, operational integration, and dynamic stakeholder engagement into a cohesive system. Unlike previous studies, which predominantly examined fragmented aspects of CSR without fully addressing their interconnectedness, this research introduces an integrated mechanism that reflects the evolving complexities of CSR in contemporary corporate environments. The model unites theoretical underpinnings with applied dimensions, embedding CSR across structural, procedural, and evaluative layers within the corporate governance architecture. Special emphasis is placed on aligning CSR imperatives with both global sustainability norms and localized institutional nuances. This pioneering approach establishes a foundational platform for further exploration of CSR's transformative role, setting it apart from earlier frameworks that lacked systemic cohesion and practical adaptability.

Improved:

- This dissertation advances ESG research by uncovering the impact of managerial overconfidence on sustainability performance in Chinese listed firms. Unlike previous studies that focused mainly on external drivers, this research highlights the internal behavioral dimension, showing that overconfident executives positively influence environmental, social, and governance outcomes. Notably, the strongest effect appears in the social dimension, suggesting that confident leaders are particularly proactive in driving social initiatives. The study also validates these findings through robust instrumental variable tests, strengthening causal claims. By linking behavioral corporate finance with ESG outcomes, this research expands existing models and offers new insights into how leadership traits shape sustainability, providing practical guidance for boards, investors, and policymakers seeking to balance leadership dynamism with accountability;
- This dissertation refines the understanding of how corporate governance influences ESG performance by providing a nuanced, data-driven analysis of Chinese listed firms. Unlike prior research that often generalized governance effects or relied on Western-centric models, this study systematically dissects the roles of board independence, managerial ownership, and state ownership within China's unique institutional context. It challenges conventional assumptions by revealing, for example, that board size and CEO duality have no significant impact, while high board meeting frequency may signal governance inefficiencies rather than strength. The research introduces a new framework that integrates ownership structure and board dynamics, highlighting the combined effect of independent oversight and aligned managerial incentives. This approach advances ESG governance theory by showing how internal governance levers, shaped by China's regulatory and cultural environment, can drive meaningful sustainability outcomes beyond formal compliance;

- This dissertation refines CSR research by developing a data-driven typology that classifies Chinese firms into distinct CSR engagement categories: Leaders, Developers, and Minimalists. Unlike previous studies that examined CSR as a uniform construct, this research uncovers meaningful variations in CSR strategies across six key dimensions, including environmental sustainability, governance, and stakeholder engagement. The study highlights how industry context, ownership structure, and external pressures shape CSR adoption, offering a deeper understanding of why firms diverge in their approaches. By linking CSR typologies to financial, operational, and reputational outcomes, the research provides empirical evidence that comprehensive CSR integration yields measurable competitive advantages. This nuanced framework moves beyond compliance-based models, showing that CSR is not monolithic but highly stratified in practice. The findings advance CSR theory by offering a structured tool for benchmarking and strategic planning, particularly relevant for emerging markets where CSR practices are evolving under complex institutional pressures;
- This dissertation enhances understanding of how board characteristics influence sustainability reporting by offering a detailed, empirical analysis of Chinese listed firms. Unlike prior research focused mainly on Western contexts, this study highlights unique governance dynamics in China, revealing that board independence and specialized committees significantly improve sustainability disclosure, while board size and CEO duality show no consistent effects. The research also challenges assumptions that frequent board meetings strengthen ESG oversight, finding a negative link instead. By integrating both agency and resource dependence theories, the study refines existing models and provides a clearer picture of how governance structures drive ESG transparency in emerging markets. These insights offer a fresh perspective for scholars, regulators, and corporate leaders aiming to enhance sustainability performance through governance reforms;

- This dissertation refines understanding of the ESG–performance link by providing robust empirical evidence from Chinese listed firms. Unlike earlier studies focused on developed markets, it reveals that environmental, social, and governance factors each have distinct and significant positive impacts on firm profitability. The research highlights strong regional disparities, showing that ESG performance contributes most to financial success in China's western regions, while effects are weaker or absent elsewhere. This regional focus distinguishes the study from prior research, emphasizing the role of local institutional and market conditions. By disaggregating ESG into its core components and confirming their financial value, the dissertation advances ESG theory and offers practical insights for managers, investors, and policymakers seeking to align sustainability with profitability in emerging market contexts;

Acquired further development:

- This dissertation advances the conceptual understanding of ESG and CSR by developing an integrated framework that unites ESG's quantifiable performance metrics with CSR's ethical and voluntary foundations. Unlike previous studies that treated ESG and CSR as parallel or fragmented systems, this research systematically bridges their operational and strategic dimensions, offering a cohesive model for corporate sustainability management. The study introduces a refined classification of CSR–ESG integration levels and highlights the practical governance pathways required for effective alignment. It also reveals the critical role of authentic leadership, cultural adaptation, and transparent governance in embedding ESG–CSR integration into core business strategy. By synthesizing global and local perspectives, the research provides a more holistic lens for assessing sustainability, contributing both to theoretical development and to actionable insights for corporate practitioners and policymakers.

The practical significance of the obtained results. This dissertation provides a comprehensive framework for advancing strategic CSR management in Chinese listed firms, offering practical solutions to bridge the gap between CSR commitments and actual business practices. By integrating governance structures, operational processes, performance monitoring, and stakeholder engagement into a unified model, the research delivers actionable guidance for embedding CSR deeply into corporate strategy. This model enables firms to align CSR with business objectives, ensuring that sustainability becomes a measurable and accountable element of corporate performance.

The findings emphasize the pivotal role of governance—particularly board composition, independent oversight, and dedicated CSR committees—in strengthening CSR integration and execution. The research demonstrates that clear accountability frameworks and structured internal controls are essential for translating CSR principles into substantive actions, helping companies avoid superficial or symbolic CSR engagement.

For corporate managers, the study provides practical tools for designing CSR systems that enhance transparency, stakeholder trust, and long-term competitiveness. It underscores the importance of linking CSR to key business functions—such as risk management, innovation, and supply chain operations—to unlock tangible business benefits. Investors gain valuable insights into assessing CSR credibility, with governance quality highlighted as a reliable indicator of genuine sustainability commitment.

From a regulatory perspective, the research offers recommendations to policymakers on how to foster an institutional environment that supports authentic CSR implementation. It highlights the need for robust disclosure requirements and governance standards that promote consistency, comparability, and integrity in CSR reporting. These measures can enhance capital market transparency, reinforce investor confidence, and drive responsible corporate behavior across sectors.

Additionally, the dissertation sheds light on the financial implications of strategic CSR management. The model suggests that firms with well-integrated CSR systems may benefit from improved access to financing, lower capital costs, and enhanced market reputation, providing a competitive edge in both domestic and global markets.

In a broader context, the research contributes to the ongoing evolution of CSR practices in China, offering a scalable and adaptable framework that can guide firms, investors, and regulators in advancing sustainability agendas. By promoting the alignment of CSR with governance and strategy, this study supports the transition toward more accountable, transparent, and socially responsible corporate behavior in China's rapidly changing economic landscape.

Personal contribution of the author. The research presented in this dissertation was entirely conceived, designed, and executed by the author. The author developed the conceptual framework, formulated the research questions, and designed the methodology to investigate CSR and ESG dynamics within the Chinese corporate context. All stages of the research process - including literature review, theoretical model development, data collection, statistical analysis, and interpretation - were carried out independently by the author.

The empirical analyses, including the construction and testing of advanced econometric models, were performed solely by the author. The strategic CSR management model proposed in the dissertation is the original work of the author, combining theoretical insights with practical application. The conclusions and recommendations are the result of the author's critical reflection and synthesis of the research findings. This dissertation demonstrates the author's ability to undertake and complete a substantial and original research project to doctoral standard.

Approbation of dissertation results. The key findings and conceptual contributions of this dissertation have been actively presented and discussed within national and international academic forums. The research was first introduced at the III International Scientific-Practical Conference “Modern Challenges and Prospects for Economic Development” (March 5, 2025, Kropyvnytskyi, Ukraine), where the focus was on CSR disclosure and governance. It was further advanced at the X International Scientific-Practical Conference “Accounting, Control, and Taxation in the Context of Ukraine’s Post-War Recovery and Sustainable Development Goals” (April 10–11, 2025, Kyiv, Ukraine), where methodological aspects of CSR strategy were explored.

The research also gained international exposure at the II International Scientific-Practical Conference “Scientific Strategies in the Context of Global Challenges” (April 16, 2025, Warsaw, Poland), where its implications for corporate governance and ESG-linked leadership were highlighted.

Additionally, the dissertation outcomes have been shared in internal university seminars and faculty research meetings, allowing for critical peer feedback and refinement of the study’s conclusions. This continuous engagement has ensured the validity and relevance of the research within both scholarly and practical contexts.

Publications. The key findings and theoretical contributions of this dissertation have been disseminated through 10 scholarly publications, underscoring the comprehensive nature and academic rigor of the research. This includes one peer-reviewed article published in an internationally indexed journal listed in Scopus, reflecting the study’s alignment with global research standards and its relevance to the international academic community.

Six articles have been published in reputable Ukrainian scientific journals, contributing substantively to the national discourse on CSR, ESG governance, and sustainable business practices. These publications articulate both conceptual advancements and empirical insights, reinforcing the dissertation's dual focus on theory and application.

In addition, the author has presented three conference papers at prominent academic forums, ensuring the research reached a wide scholarly audience and benefitted from critical peer engagement. Together, these publications illustrate a sustained commitment to scholarly excellence and intellectual exchange, reinforcing the research's impact across multiple platforms. The breadth of dissemination reflects not only methodological rigor but also a clear dedication to advancing academic conversations on corporate sustainability in both local and international contexts.

Structure and scope. This dissertation is structured to deliver a comprehensive analysis of the strategic management of Corporate Social Responsibility (CSR), ESG practices, and corporate governance in Chinese listed companies. It consists of an introduction, three main chapters, a concluding section, and a detailed reference list. The dissertation spans 226 pages in total, ensuring thorough coverage of both theoretical and empirical dimensions.

The introduction outlines the research background, objectives, and methodological approach. It defines the study's relevance and provides the conceptual framework that underpins the analysis.

The first chapter establishes the theoretical foundations, examining the core concepts of CSR and ESG, the strategic management of CSR in the Chinese context, and the links between CSR, governance, and financial outcomes. It integrates typologies and models of CSR strategies to build a robust conceptual base.

The second chapter presents the empirical investigation, focusing on the mechanisms of CSR implementation, the influence of governance and leadership dynamics on ESG performance, and the broader impacts of CSR practices within Chinese firms.

The third chapter advances a comprehensive model of strategic CSR management, synthesizing the study's theoretical and empirical insights. It proposes practical recommendations for embedding CSR within corporate governance frameworks, ensuring transparency, accountability, and continuous improvement.

The dissertation includes 59 tables and 10 figures that support the analysis. The reference list comprises 172 sources, reflecting extensive engagement with existing literature. In total, the dissertation spans 226 pages, providing a structured and in-depth contribution to the understanding of CSR and ESG management in China.

CHAPTER 1. THEORETICAL FOUNDATIONS OF STRATEGIC MANAGEMENT OF CSR, ESG, AND CORPORATE GOVERNANCE IN CHINESE LISTED COMPANIES

1.1. From Ethics to Strategy: Conceptual Foundations of CSR and ESG in Corporate Practice

In today's corporate landscape, environmental, social, and governance (ESG) standards and corporate social responsibility (CSR) have become central to how firms define their purpose and measure success (Alkandi, 2025; Pasko, Zhang, Proskurina, et al., 2024). While both concepts aim to align business operations with societal and environmental goals, they have evolved from different origins, serve distinct audiences, and operate under varying regulatory and market pressures. ESG emerged primarily as an investment-driven framework, offering quantifiable metrics to guide capital allocation and assess long-term risks. CSR, on the other hand, developed as a broader ethical commitment, reflecting a firm's voluntary engagement with social and environmental issues beyond legal obligations.

Despite their separate roots, ESG and CSR increasingly intersect in practice (Z. Liu et al., 2025; Pasko, Zhang, Markwei Martey, et al., 2024). Firms often deploy both to strengthen stakeholder trust, improve reputation, and drive sustainable value creation. Yet, the boundaries between them remain blurred. Without conceptual clarity, companies risk fragmented strategies, investors face inconsistent signals, and policymakers struggle to design effective frameworks.

This work addresses this gap by reframing ESG and CSR as integrated, mutually reinforcing constructs. Drawing on a systematic review of the literature, it clarifies the foundations of each concept, maps their overlapping domains, and proposes pathways for strategic alignment. The goal is to provide scholars, practitioners, and regulators with a clearer understanding of how firms can navigate the ESG–CSR nexus to achieve sustainable impact and competitive advantage.

Defining Corporate Social Responsibility (CSR). Corporate Social Responsibility (CSR) refers to the practices and policies through which companies take responsibility for their impact on society and the environment (Chan et al., 2025; Pasko et al., 2022, 2023; Pasko, Kharchenko, et al., 2024; Ravi et al., 2025). Its intellectual roots stretch back to the 1950s, when scholars like Howard Bowen first asked whether corporations had obligations beyond making profits. Over the decades, CSR has grown into a formalized concept, shaped by landmark frameworks (Overesch & Willkomm, 2025; Pasko, Chen, et al., 2021; Pasko, Zhang, et al., 2021; Yen & Chen, 2025). Archie Carroll's CSR pyramid, for example, laid out four key responsibilities: economic (profitability), legal (compliance), ethical (doing what is right), and philanthropic (giving back). Edward Freeman's stakeholder theory further broadened the scope, arguing that companies must consider the needs and rights of all stakeholders - including employees, customers, communities, and the environment - not just shareholders (Hung, 2025; Y. Liu et al., 2025).

To clarify how corporate social responsibility (CSR) is conceptualized in both academic literature and institutional frameworks, Table 1.1 presents a compilation of key definitions drawn from diverse scholarly works and reports.

This table highlights the rich diversity of CSR interpretations, reflecting its evolution from a voluntary, ethically driven concept to one increasingly shaped by measurable business practices and stakeholder expectations. The inclusion of both classic and recent definitions demonstrates the ongoing debate over CSR's scope—whether it should remain focused on ethical obligations or be integrated more fully with financial performance and governance standards. This variety underlines the importance of clear, unified terminology, especially when CSR is analyzed alongside ESG frameworks in research and corporate practice.

Table 1.1. Selected Definitions of Corporate Social Responsibility (CSR) from Academic and Institutional Sources*

	Source	Definition
1	(Sanusi & Kartini, 2022)	"Corporate Social Responsibility (CSR) is an improvement in the quality of life which means the ability of humans as individual community members to be able to respond to existing social conditions, be able to enjoy and take advantage of the environment, in other words, it is a way for companies to regulate business processes to produce positive impacts on the environment" (Sanusi & Kartini, 2022, p. 128)
2	(Amah, 2022)	"CSR has emerged as a crucial aspect of contemporary business strategy, focusing on initiatives that benefit society alongside profit maximisation" (Amah, 2022, p. 117)
3	(Sacconi, 2004)	"Corporate social responsibility (CSR) as an extended model of corporate governance accounts for a voluntary approach to CSR, meant as voluntary compliance with CSR strategic management standards, in terms of an economic theory of self-regulation based on the concepts of social contract, reputation and reciprocal conformism" (Sacconi, 2004, p. 5)
4	(Lougee & Wallace, 2008)	"CSR refers to corporate investments in socially responsible behavior that may influence financial performance and shareholder value" (Lougee & Wallace, 2008, p. 21)
5	Żuchowski, I. (2022)	"CSR 2.0 assumes, among other things, the use of social media in CSR practices, which enables companies to communicate their socially responsible activities more effectively" (Żuchowski, I. (2022), p. 165)
6	United Nations. (2014).	"Corporate social responsibility (CSR) is a concept which has many interpretations and typically has economic, social and environmental dimensions" (United Nations. (2014)., p. 11)
7	(Jaysawal & Saha, 2015)	"CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society" (Jaysawal & Saha, 2015, p. 3)
8	(Helmold, 2021)	"The term Corporate Social Responsibility (CSR) was used in 1953 by Howard R. Bowen and stands for the social responsibility of companies, emphasizing their impact on the lives of ordinary citizens." (Helmold, 2021, p. 212)

*** Note:** *Table compiled by the author based on a systematic literature review of academic and institutional sources on Corporate Social Responsibility (CSR).*

Historically, CSR was framed as a voluntary commitment. Firms engaged in charitable donations, environmental projects, or ethical supply chain management as a sign of moral leadership. These efforts were often separate from core business strategy, treated as add-ons rather than integrated elements of competitive advantage (W. Li et al., 2025; Rahman et al., 2025). Yet over time, this boundary has blurred. Governments, international organizations, and industry groups have developed CSR-related standards, guidelines, and even mandatory disclosure rules. As a result, CSR today exists in a hybrid space: part voluntary, part regulated, and increasingly subject to scrutiny by investors, consumers, and policymakers.

Critically, CSR focuses on process and intention as much as outcome. It is less about measurable financial returns and more about demonstrating commitment, reputation, and ethical alignment. This focus has led some critics to accuse firms of “window dressing” or symbolic compliance, while others defend CSR as a necessary expression of corporate citizenship in a complex global society.

Defining Environmental, Social, and Governance (ESG). Environmental, Social, and Governance (ESG) emerged from a different pathway. Born out of the investment community, ESG provides a structured, data-driven way to assess how companies manage non-financial risks and opportunities (Dou et al., 2025; Z. Liu et al., 2025). ESG metrics allow investors to evaluate whether firms are resilient, forward-looking, and well-positioned to navigate challenges like climate change, labor rights, or governance failures (J. Li & Liu, 2025; Ragazou et al., 2024). Unlike CSR, which emphasizes ethical responsibility, ESG focuses on quantifiable performance indicators tied to material financial outcomes.

To complement the exploration of CSR, Table 1.2. compiles a selection of ESG definitions sourced from contemporary academic publications.

This table demonstrates how ESG has evolved into a multifaceted framework that encompasses environmental protection, social responsibility, and governance standards. The collected definitions reflect both theoretical and practical perspectives, highlighting ESG's growing role as a global benchmark for sustainability performance and risk management.

Table 1.2. Key Definitions of Environmental, Social, and Governance (ESG) from Recent Literature*

	Source	Definition
1	(Huang, 2024)	"Environmental, social and governance (ESG) is an important standard for the green transformation of enterprises in the new era and is also an important tool for guiding green investment" (Huang, 2024, p. 75)
2	(Zhang, 2023)	"Environmental, Social and Governance (ESG) refers to the aspects of environmental protection, social responsibility and good governance that enterprises should consider in the course of their operations" (Zhang, 2023, p. 113)
3	(Zhao, 2024)	"ESG (Environmental, Social, and Governance) is a set of standards used to measure a company's performance in environmental protection, social responsibility, and governance structure" (Zhao, 2024, p. 19)
4	(Fuadah et al., 2023)	"The stakeholder theory is widely used in research from previous studies on ESG, defining it as the integration of environmental, social, and governance concerns into business operations and decision-making processes" (Fuadah et al., 2023, p. 89)
5	(J. Chen, 2024)	"The concept of ESG (Environmental, Social, and Governance) has become a crucial framework for corporate strategies and investment decisions globally" (Chen, 2024, p. 44)
6	(Ginting & Oginawati, 2024)	"Environmental, Social, and Governance (ESG) has become a rapidly growing instrument worldwide, driven by commitments to enhance environmentally sustainable economic growth" (Ginting & Oginawati, 2024, p. 52)
7	(Paužuolienė & Derkach, 2024)	"The term ESG, which stands for Environmental, Social and Governance, has gained significant traction in the business world, reflecting a company's awareness of its impact on society and the environment" (Pauzuoliene & Derkach, 2024, p. 103)
8	(Lin et al., 2024)	"Environmental, social, and governance (ESG) measurement in the tourism and hospitality industry remains in its infancy, particularly missing a developing country's perspective" (Lin et al., 2024, p. 156)

** - Table compiled by the author based on recent definitions of ESG from academic and institutional literature.*

Notably, the variety of emphases—ranging from stakeholder integration to corporate strategy alignment—underscores the dynamic nature of ESG discourse. This reinforces the need for clarity and consistency when ESG frameworks are applied in business and research contexts.

The environmental component covers issues such as greenhouse gas emissions, resource efficiency, pollution control, and climate strategy. The social component addresses labor practices, diversity and inclusion, human rights, customer safety, and community engagement. The governance component focuses on board composition, executive pay, audit quality, shareholder rights, and transparency. Each dimension is rated, scored, and benchmarked through specialized agencies and rating systems, such as MSCI, Sustainalytics, or Bloomberg ESG.

Importantly, ESG has transformed from a niche investment screen into a mainstream financial tool. Institutional investors, asset managers, and regulatory bodies now routinely integrate ESG analysis into capital allocation decisions (Y. Chen et al., 2025; Sun & Xiong, 2025). For firms, ESG performance directly affects access to financing, investor confidence, and market reputation. This shift has raised the stakes: ESG is no longer a public relations exercise, but a measurable standard tied to long-term business viability.

Moreover, ESG frameworks are often aligned with global sustainability goals, such as the UN Sustainable Development Goals (SDGs) or the Paris Agreement on climate change (Lee et al., 2025; Y. Liu et al., 2025). This alignment signals a deeper shift in how markets define value - moving beyond pure financial metrics to include social and environmental dimensions.

Despite these advances, ESG is not without criticism. Concerns include inconsistent definitions, variable data quality, and the risk of "greenwashing" — where firms exaggerate or misrepresent their ESG achievements. Still, ESG's emphasis on transparency, accountability, and comparability marks a significant departure from the less formal, more narrative-driven nature of traditional CSR.

Overlaps and Differences between ESG and CSR. While ESG and CSR share a common goal - aligning business practices with societal and environmental interests - they differ in origins, scope, purpose, and measurement. Understanding these differences is essential for scholars, practitioners, and policymakers who aim to design integrated strategies.

At a high level, CSR is an ethical and voluntary framework focused on a company's responsibility to society. It includes activities like philanthropy, community engagement, and ethical labor practices. ESG, by contrast, is a financial and performance-driven framework that uses measurable indicators to assess how environmental, social, and governance factors affect a firm's risk profile and long-term value.

The following table summarizes key points of comparison (Table 1.3).

Table 1. 3. ESG vs. CSR: Conceptual and Operational Comparison*

Dimension	CSR	ESG
Origin	Ethical theory, stakeholder obligations	Financial sector, investment risk and performance
Focus	Voluntary social and environmental commitments	Measurable environmental, social, and governance risks
Main Audience	Broad stakeholders: community, employees, public	Investors, asset managers, regulators
Accountability	Self-reported, often narrative-driven	Data-driven, rating agencies, quantitative metrics
Purpose	Ethical alignment, reputation, corporate citizenship	Risk management, value creation, capital access
Regulatory Status	Historically voluntary, some increasing formalization	Increasingly embedded in regulatory and reporting frameworks
Criticism	Risk of symbolic action ('window dressing')	Risk of inconsistent metrics, greenwashing

* - *Table compiled by the author based on comparative analysis of academic literature on CSR and ESG frameworks*.

While ESG and CSR often overlap, there are clear cases where the two diverge in focus, purpose, and outcomes, underscoring the need to understand their distinct roles in corporate practice. While ESG and CSR are often viewed as complementary, real-world examples show that they can diverge in both implementation and impact. A company may excel in ESG performance by meeting rigorous governance standards and providing transparent disclosures, yet show limited engagement in community development or social initiatives. Conversely, some firms emphasize CSR through high-profile philanthropy and community projects but fail to meet robust environmental or governance benchmarks. For instance, Rio Tinto, a global mining corporation, has invested significantly in local education and health programs in host communities (CSR), yet has faced criticism and legal challenges over environmental violations and governance failures related to mining operations (ESG). The financial sector presents a similar pattern: banks may score well on governance criteria under ESG assessments but attract scrutiny for their limited grassroots social involvement, revealing a disconnect between formal compliance and deeper social responsibility.

In some cases, ESG and CSR are so closely aligned that they become virtually inseparable within corporate strategy. Companies that embed sustainability into their core business—rather than treating it as an add-on—often achieve this integration. For example, Patagonia, the outdoor apparel company, has built its brand around environmental responsibility by using recycled materials, reducing carbon emissions, and ensuring ethical labor practices across its supply chain. These actions satisfy ESG criteria through measurable environmental and social performance while simultaneously fulfilling broader CSR commitments to environmental stewardship and community welfare. Firms that take this comprehensive approach strengthen both their accountability and their reputation, fostering lasting trust with investors, customers, employees, and regulators alike.

The following table 1.4 illustrates how ESG and CSR can be integrated in practice across key operational areas. It presents concrete examples of actions that simultaneously address ESG performance metrics and contribute to broader CSR objectives.

These examples demonstrate that successful ESG–CSR integration requires action across multiple dimensions - from environmental performance and risk management to community engagement and governance practices. By aligning ESG metrics with CSR objectives, firms can create a cohesive sustainability strategy that delivers measurable impact and builds lasting stakeholder trust.

Table 1.4. Examples of ESG–CSR Integration in Corporate Practice*

Area of Focus	Example Action	ESG Dimension	CSR Contribution
Carbon Emissions	Setting science-based CO_2 reduction targets and disclosing progress in annual reports	Environmental performance, transparency	Demonstrating ethical commitment to climate action
Supply Chain Management	Auditing suppliers for labor practices and environmental impact	Social and environmental risk management	Supporting fair labor and responsible sourcing
Board Diversity	Establishing policies for gender and minority representation on boards	Governance structure, accountability	Promoting inclusion and equal opportunity
Community Engagement	Partnering with local NGOs to deliver education, health, or infrastructure programs	Social impact, stakeholder relations	Building trust and contributing to local well-being
Sustainable Innovation	Investing in green technologies and sustainable product development	Environmental innovation, long-term value creation	Aligning business strategy with societal needs

* - *Table compiled by the author based on synthesized examples from academic and practitioner literature illustrating ESG–CSR integration.*

To further clarify the conceptual relationship between ESG and CSR, Figure 1 provides a visual representation of their key distinctions and areas of overlap. This diagram helps illustrate how the two frameworks differ in focus and scope, while also highlighting the shared goals that can drive integrated strategies.

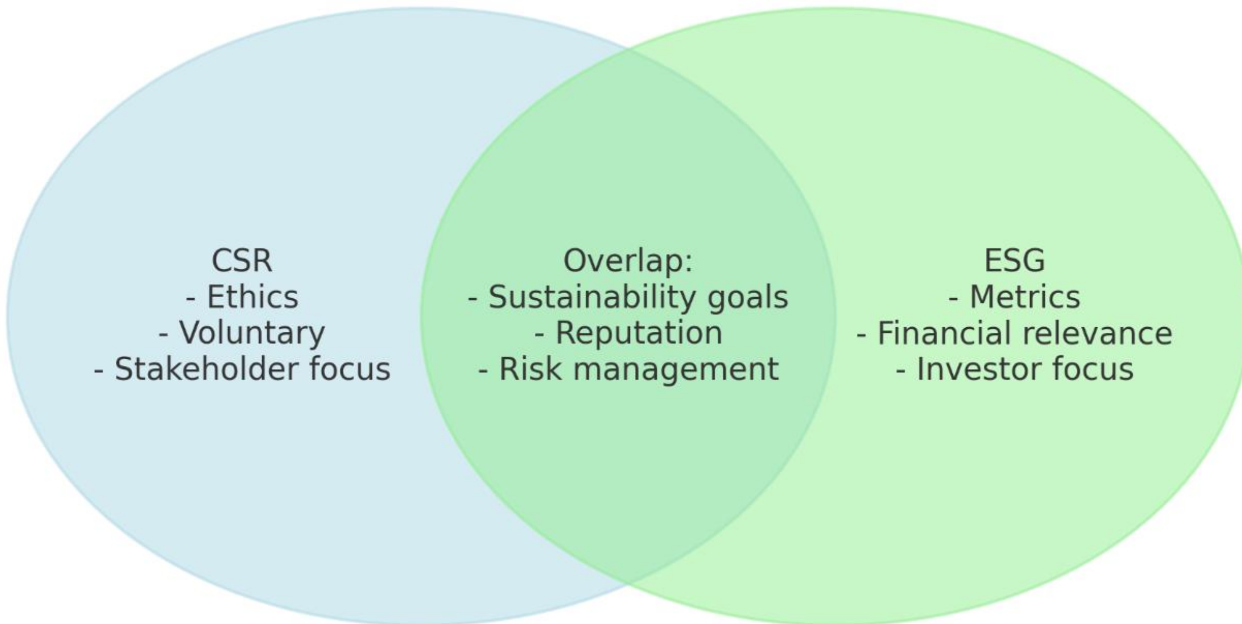

Figure 1.1. Conceptual Overlap and Differences Between CSR and ESG*

** - Figure designed by the author based on comparative analysis of CSR and ESG concepts in academic literature.*

As shown in the figure, ESG emphasizes quantifiable metrics, financial materiality, and investor-oriented performance, whereas CSR centers on ethical commitments, voluntary initiatives, and broader stakeholder engagement. The overlap underscores common ground in sustainability goals, reputation management, and risk mitigation—areas where firms can effectively bridge both approaches to achieve stronger, more resilient outcomes.

To deepen the analysis of how ESG and CSR function both independently and in tandem, Table 1.5 presents a detailed comparison across strategic, operational, and financial dimensions. This table breaks down the distinct roles each framework plays, highlighting their interdependencies and the tensions that can arise when they are not effectively integrated.

Table 1.5. Advanced Analytical Comparison of CSR and ESG Across Strategic, Operational, and Financial Dimensions*

Dimension	CSR Role	ESG Role	Interdependence / Tension
Strategic Intent	Defines ethical direction, corporate purpose, stakeholder legitimacy	Sets measurable sustainability goals, aligns with investor expectations	Without integration, CSR risks being vague; ESG risks being narrow
Operational Practices	Shapes corporate culture, employee behavior, social engagement	Formalizes reporting, risk management, governance mechanisms	CSR informs ESG frameworks; ESG gives teeth to CSR values
Measurement and Accountability	Relies on narratives, qualitative stories, symbolic acts	Relies on quantitative data, benchmarks, third-party ratings	CSR enhances meaning; ESG ensures rigor and comparability
Financial Impact	Builds reputation, social license to operate, community trust	Affects cost of capital, investor flows, market valuation	Jointly drive sustainable competitive advantage
Regulatory Environment	Historically voluntary, now partly shaped by soft and hard law	Increasingly embedded in formal disclosure regimes (EU taxonomy, SEC rules)	Joint compliance strengthens resilience and legitimacy

** - Table compiled by the author based on analytical synthesis of scholarly literature comparing CSR and ESG across strategic, operational, and regulatory dimensions.*

As shown, CSR shapes a company's ethical direction and stakeholder legitimacy, while ESG formalizes sustainability through measurable goals and structured governance. Together, they influence every layer of corporate practice - from culture and reporting to financial performance and regulatory compliance. The table also underscores how integration strengthens both resilience and legitimacy, offering firms a clear path to sustainable competitive advantage.

This comparative analysis confirms that neither ESG nor CSR alone is sufficient to address the full scope of modern sustainability challenges. Instead, it is the alignment between ethical commitments and quantifiable performance that enables firms to meet rising expectations and deliver lasting impact.

To further illustrate the integration of ESG and CSR within corporate structures, Figure 1.2 maps their dynamic interplay across three key layers: strategic, operational, and financial. This visual helps clarify how each framework contributes at different levels of business management and how their alignment strengthens overall sustainability efforts.

Figure 1.2. Dynamic Interplay Between CSR and ESG Across Corporate Layers*

* - *Figure designed by the author based on literature-based analysis of CSR and ESG functions across strategic, operational, and financial corporate layers.*

As depicted, the strategic layer focuses on defining a company's direction and purpose—where CSR ensures ethical grounding and stakeholder legitimacy, while ESG sets measurable goals aligned with investor expectations. The operational layer emphasizes implementation, with CSR shaping culture and social practices, and ESG guiding risk management and governance. Finally, the financial layer shows how CSR builds reputation and social license, while ESG directly impacts cost of capital and market valuation.

This layered approach underscores that ESG and CSR are not standalone concepts but interconnected elements that must work in harmony to drive sustainable corporate success. Firms that integrate these dimensions across all levels are better equipped to manage risks, meet stakeholder demands, and achieve long-term resilience.

Therefore, the integration of ESG and CSR is not just a theoretical exercise; it offers firms a path to build resilience, strengthen stakeholder relationships, and create sustainable competitive advantage. While ESG and CSR have historically been treated as parallel or even separate tracks, leading companies increasingly combine them into unified strategies that align ethical commitments with measurable outcomes.

One key area of intersection is strategy formulation. Firms that integrate ESG and CSR align corporate mission, vision, and values with concrete goals, ensuring that sustainability is embedded into core business decisions. For example, companies may set carbon reduction targets (ESG) while simultaneously engaging communities affected by their operations (CSR). This alignment creates synergies, where reputational gains reinforce financial performance, and vice versa.

Operational practices offer another intersection point. Firms that combine ESG and CSR adopt sustainability across supply chains, product design, employee practices, and governance processes. For instance, sourcing materials responsibly addresses both ESG metrics and CSR expectations. Similarly, improving board diversity enhances governance ratings while advancing social responsibility goals.

Investor relations and reporting provide a third area of integration. Firms that align ESG disclosures with CSR narratives present a coherent message to stakeholders, reducing the risk of inconsistency or reputational gaps. This integrated approach strengthens credibility with investors, regulators, employees, and customers. Yet integration is not automatic. It requires deliberate efforts to align metrics, reporting systems, incentives, and organizational culture. Without careful design, firms risk creating fragmented efforts where ESG performance and CSR initiatives run on separate tracks, leading to inefficiency or even conflicting messages.

This study reframes ESG and CSR as complementary frameworks that, when integrated, enhance both corporate responsibility and financial performance. The findings emphasize that while ESG and CSR stem from distinct origins—investment-driven metrics versus ethical commitments—they increasingly converge in practice. Firms that treat them as separate risk inefficiencies, fragmented strategies, and missed opportunities for creating sustainable value.

The analysis confirms that ESG provides the measurable backbone of sustainability, while CSR deepens stakeholder trust and reinforces ethical legitimacy. Companies that align the two not only meet regulatory and investor expectations but also strengthen their social license to operate. This dual approach builds resilience, enhances reputation, and creates a competitive edge in markets that increasingly reward sustainability.

The study also highlights critical challenges. Integration requires more than aligning metrics; it demands cultural shifts, robust governance, and authentic commitment. Without these, firms may fall into the trap of symbolic compliance—either inflating ESG ratings without substantive change or relying on CSR narratives that mask underlying risks. To avoid this, companies should ensure that ESG disclosures and CSR initiatives are mutually reinforcing, transparent, and tied to core strategy.

For investors and regulators, the results underscore the need for clearer standards that bridge ESG metrics with CSR principles. Harmonized reporting frameworks would reduce inconsistencies and help stakeholders assess both risk and ethical performance with greater confidence.

This discussion points to a broader implication: sustainable business success depends on breaking down silos between performance and purpose. ESG and CSR, when properly integrated, provide the roadmap for firms to deliver measurable impact while staying true to their ethical foundations. Future research should continue exploring best practices for integration, particularly across industries and cultural contexts, to deepen understanding of how firms can achieve long-term sustainability.

The primary goal of this subchapter was to clarify the conceptual foundations of ESG and CSR, explore their overlapping domains, and propose strategies for effective integration. By reframing these frameworks as interconnected rather than separate, the study aimed to provide clearer guidance for companies, investors, and policymakers navigating the growing complexity of corporate sustainability.

The findings confirm that ESG and CSR, despite their distinct roots, are most effective when treated as complementary. ESG offers the structure and measurable indicators needed for transparency and accountability, while CSR reinforces ethical intent and deepens stakeholder relationships. Firms that successfully align these dimensions can unlock synergies that enhance resilience, reputation, and long-term value creation.

However, the study also underscores key challenges. Integration is not merely a matter of reporting; it requires a cultural shift within organizations, a commitment to genuine action, and alignment between strategy and operations. Without this depth, companies risk falling into superficial practices that satisfy formal requirements but fail to deliver meaningful impact.

For practitioners, the study highlights practical pathways for embedding ESG and CSR into corporate DNA—from aligning governance processes and stakeholder engagement to developing integrated reporting frameworks. For regulators, it underscores the importance of creating harmonized standards that bridge financial performance with broader social and environmental accountability.

Future research should deepen understanding of sector-specific dynamics, as integration strategies may differ across industries with varying regulatory landscapes and stakeholder expectations. Longitudinal studies could also examine the long-term financial and reputational outcomes of integrated ESG–CSR strategies. Additionally, more work is needed to develop robust measurement tools that capture both qualitative and quantitative aspects of sustainable performance.

In conclusion, this study affirms that bridging ESG and CSR is not just a trend but a strategic imperative. Firms that embrace this integrated approach are better positioned to meet rising expectations, manage risks, and contribute meaningfully to sustainable development.

1.2. CSR Strategies in Chinese Industry: Patterns, Practices, and Performance Implications

Corporate Social Responsibility (CSR) has become an essential part of business strategy worldwide. In China, CSR adoption has gained momentum, driven by regulatory frameworks, stakeholder expectations, and market competition. However, CSR practices vary significantly across industries and firms. Some companies integrate CSR comprehensively, while others adopt minimal efforts, focusing only on legal compliance. Understanding these variations is crucial for both scholars and practitioners.

This study examines CSR adoption patterns in China's manufacturing sector, identifying distinct clusters of firms based on their engagement levels. It builds on existing CSR research by developing an empirical typology that classifies companies according to their CSR priorities. The findings provide insights into how different

CSR strategies impact financial performance, operational efficiency, corporate reputation, and supplier relationships.

Previous research has explored the relationship between CSR and firm performance, but results remain inconclusive (Ağan et al., 2016; David et al., 2024; Figueira et al., 2023; Lau et al., 2023; H. Liu & Lee, 2024; Nguyen et al., 2023; Pasko et al., 2024; Pasko, Zhang, Oriekhova, Hordiyenko, et al., 2023; Zhang et al., 2024). Some studies suggest that CSR enhances profitability, improves risk management, and strengthens brand reputation (Attig et al., 2016; Li et al., 2023). Others argue that CSR imposes additional costs without clear financial benefits (Tajpour et al., 2023). These mixed findings highlight the need for a more nuanced understanding of CSR engagement (Dawar & Bhatia, 2023). A typology-based approach helps clarify these complexities by identifying patterns in CSR adoption and their implications for business performance.

China presents a unique context for studying CSR. As one of the world's largest manufacturing hubs, it faces growing pressure to improve corporate sustainability. Government policies, environmental concerns, and global supply chain expectations shape CSR practices. However, CSR engagement remains inconsistent, with firms adopting different approaches based on ownership structures, industry characteristics, and competitive pressures.

This study categorizes firms into three CSR clusters: CSR Exemplars, CSR Developers, and CSR Minimalists. CSR Exemplars demonstrate strong commitment across multiple CSR dimensions, balancing ethical governance, environmental responsibility, and stakeholder engagement. CSR Developers invest selectively in CSR, focusing on employees, customers, and suppliers, while placing less emphasis on environmental management and investor rights. CSR Minimalists engage in CSR at the lowest level, prioritizing only basic compliance with labor and environmental regulations.

The study contributes to CSR research in several ways. First, it provides an empirical framework for classifying CSR adoption patterns in China. Second, it examines the relationship between CSR engagement and firm performance across financial, operational, and reputational metrics. Third, it offers practical insights for policymakers and business leaders seeking to promote sustainable corporate practices.

By identifying key CSR adoption patterns and their impact on business outcomes, this study enhances our understanding of CSR dynamics in China. The findings offer valuable insights for companies looking to optimize their CSR strategies while balancing economic and social responsibilities.

The Need for a CSR typology. Corporate Social Responsibility (CSR) is a multidimensional concept that extends beyond regulatory compliance. It includes environmental sustainability, employee welfare, community engagement, and ethical governance (Buch Thu, 2024a; Dawar & Bhatia, 2023; Figueira et al., 2023b; Li et al., 2023b; C. Liu et al., 2019; Lu & Abeysekera, 2014; Pasko et al., 2024; Pasko, Zhang, Oriekhova, Aleksanyan, et al., 2023; Pasko, Zhang, Oriekhova, Gerasymenko, et al., 2023). While some firms integrate CSR into their core strategies, others limit their efforts to legal obligations. These differences create significant variations in how companies approach social responsibility, making it essential to classify and analyze CSR practices systematically (Li et al., 2023; Pasko, Zhang, Oriekhova, Hordiyenko, et al., 2023).

A structured typology of CSR helps identify patterns of corporate engagement and their impact on business performance (Abu Khalaf, 2024a; Ko et al., 2020; Pasko et al., 2022; Shu et al., 2024). Firms that actively invest in CSR often gain competitive advantages, such as enhanced reputation, stronger stakeholder relationships, and improved financial resilience (Lyu et al., 2023). In contrast, companies that adopt a minimal approach may struggle with regulatory risks and reputational challenges. By categorizing CSR strategies, researchers and practitioners can better understand how different models contribute to long-term corporate sustainability (Mura et al., 2024).

Policymakers, investors, and business leaders require clear frameworks to assess and encourage responsible corporate behavior (Buch Thu, 2024a; Hluszko et al., 2024; Madhura et al., 2024; Shu et al., 2024). A well-defined CSR typology provides insights into industry-specific trends and helps guide regulatory policies, investment decisions, and corporate governance strategies. As CSR expectations continue to evolve, a comprehensive classification system enables businesses to align their practices with global standards while maintaining economic viability.

Data Collection. The dataset was compiled from multiple sources, including company annual reports, sustainability reports, financial statements, and regulatory filings. Additional data were retrieved from official databases such as the China Securities Regulatory Commission (CSRC) archives, the National Enterprise Credit Information Publicity System, and industry-specific registries. The sample includes firms from key manufacturing sectors - automotive, textile, electronics, and pharmaceuticals - chosen for their varying levels of CSR commitment and regulatory exposure.

CSR Classification Framework. A structured framework was developed to categorize CSR engagement. CSR activities were classified into six dimensions: environmental sustainability, employee rights, corporate governance, community engagement, responsible supply chain practices, and ethical business conduct. Each dimension was assessed using quantifiable indicators such as carbon emissions disclosures, employee welfare expenditures, compliance with labor regulations, and community investment. A scoring system was applied to rank firms based on their level of CSR integration.

Analytical Methods. To identify CSR engagement patterns, hierarchical and non-hierarchical clustering techniques were applied to the dataset. Principal Component Analysis (PCA) was used to reduce dimensionality and identify the most influential CSR factors. K-means clustering then grouped firms into three categories based on CSR intensity: CSR Leaders (high engagement across all dimensions), CSR Pragmatists (selective engagement in compliance-driven CSR), and CSR Minimalists (basic regulatory adherence). Statistical validation tests ensured robustness of the classification.

Reliability and Validity Measures. To enhance reliability, cross-validation techniques were used by splitting the dataset into training and validation sets. Sensitivity analyses were performed to confirm that the classification remained stable across different industry sectors. Further, regression analysis examined the correlation between CSR adoption patterns and financial performance, ensuring that CSR engagement was linked to measurable business outcomes.

This methodologically rigorous approach offers a structured, replicable taxonomy of CSR in China, providing a foundation for further research and policy recommendations.

This section presents the empirical results derived from the cluster analysis of CSR practices among Chinese manufacturing firms. Drawing on the structured framework and validated statistical techniques, the analysis reveals three distinct clusters of CSR engagement: CSR Leaders, CSR Developers, and CSR Minimalists.

Table 1.6 summarizes the normalized engagement scores across six major CSR dimensions: environmental sustainability, employee rights, corporate governance, community engagement, responsible supply chain, and ethical business conduct. The data clearly show that CSR Leaders consistently outperform the other two clusters across all measured categories. Their scores are particularly high in areas such as ethical business conduct (90.6) and employee rights (91.2), reflecting a broad and deep commitment to responsible practices.

Table 1.6. CSR Engagement Scores Across Key Dimensions*

CSR Dimension	CSR Leaders (High Engagement)	CSR Developers (Moderate Engagement)	CSR Minimalists (Low Engagement)
Environmental Sustainability	89.5	72.8	58.4
Employee Rights	91.2	80.3	65.7
Corporate Governance	88.7	75.6	60.3
Community Engagement	82.1	60.7	50.5
Responsible Supply Chain	79.4	68.2	55.9
Ethical Business Conduct	90.6	74.1	61.2

** - Table compiled by the author based on original cluster analysis of CSR engagement levels among Chinese listed companies.*

The values in the table represent CSR engagement scores on a normalized scale from 0 to 100, where: - 100 indicates maximum engagement in a given CSR dimension; - 0 represents no engagement.

CSR Developers demonstrate moderate levels of engagement, with strengths concentrated in employee-focused practices (80.3) and community engagement (60.7), yet their performance in environmental sustainability and governance remains less robust. Meanwhile, CSR Minimalists show the weakest engagement levels overall, maintaining only basic compliance, with scores hovering just above the minimum thresholds across all dimensions.

Table 1.7 further outlines the qualitative differences in CSR approaches across the clusters. CSR Leaders integrate comprehensive environmental policies, robust governance standards, and long-term stakeholder engagement, positioning CSR as a central element of business strategy. CSR Developers apply a more selective, compliance-driven approach, balancing cost efficiency with moderate ethical and social initiatives. In contrast, CSR Minimalists focus narrowly on meeting legal requirements, with minimal proactive efforts in sustainability or ethics.

Table 1.7. Corporate Social Responsibility (CSR) Typology Framework*

CSR Dimension	CSR Leaders (High Engagement)	CSR Pragmatists (Moderate Engagement)	CSR Minimalists (Low Engagement)
Environmental Sustainability	Comprehensive environmental policies, strong emission control, and sustainability initiatives.	Selective investment in environmental measures, with moderate adherence to regulatory requirements.	Basic compliance with environmental laws, with minimal proactive sustainability efforts.
Employee Rights	Extensive employee benefits, fair wages, career development programs, and strong workplace safety.	Competitive wages and workplace safety standards, but fewer employee development programs.	Limited employee benefits, meeting only the minimum labor law requirements.
Corporate Governance	Strict adherence to governance best practices, transparency, and accountability in decision-making.	Compliance-driven governance policies with moderate levels of transparency and accountability.	Low levels of corporate governance transparency, with minimal accountability mechanisms.
Community Engagement	Active participation in community welfare, philanthropic activities, and long-term social investments.	Occasional community engagement activities, often driven by regulatory pressure.	Minimal community engagement, with CSR efforts largely for public relations purposes.
Responsible Supply Chain	Sustainable supplier management with ethical sourcing and long-term partnerships.	Focus on cost efficiency in supply chain management with limited ethical sourcing initiatives.	Transactional supplier relationships with little emphasis on sustainability or ethics.
Ethical Business Conduct	High ethical standards, strict anti-corruption policies, and compliance with international CSR norms.	Moderate ethical policies, focusing on regulatory compliance rather than proactive ethical leadership.	Basic legal compliance, with limited commitment to corporate ethics beyond regulations.

* - *Table compiled by the author based on qualitative analysis of CSR strategy typologies identified through cluster profiling of corporate practices.*

Therefore, this study analyses CSR adoption in China's manufacturing sector identified three distinct clusters:

1. **CSR Exemplars** – These firms demonstrate high engagement in CSR across multiple dimensions. They prioritize ethical codes, environmental management, and stakeholder interests. Their commitment results in strong financial, operational, and reputational performance.
2. **CSR Developers** – These companies adopt CSR selectively, focusing primarily on employees, customers, and supply chain relationships. They

invest less in environmental initiatives and investor rights. Although their CSR strategies are still evolving, they achieve moderate business benefits.

3. **CSR Minimalists** – These firms engage in CSR at the lowest level, focusing mainly on compliance with basic labor and environmental regulations. Their limited CSR adoption correlates with weaker financial and reputational outcomes.

These patterns are reinforced in the cluster distribution analysis (see Figure 1.3), which visualizes the spread of firms across the three CSR types. The analysis reveals that larger firms in competitive markets are more likely to fall into the CSR Leaders category, while smaller or less competitive firms tend to cluster as CSR Minimalists.

It shows the proportion of companies classified as CSR Leaders, CSR Developers, and CSR Minimalists based on their engagement scores. The figure highlights the dominance of CSR Developers in the sample, followed by CSR Minimalists and a smaller share of CSR Leaders. This visual helps clarify how firms are spread across the typology and underscores the variation in CSR commitment levels across China's manufacturing sector.

Figure 1.4 presents the average CSR engagement scores across the six key dimensions for each cluster**.** The figure clearly contrasts the strengths and weaknesses of each group. CSR Leaders consistently achieve the highest scores in all categories, especially in ethical business conduct and employee rights. CSR Developers show moderate performance, particularly in human capital areas, while CSR Minimalists lag behind across most dimensions. This figure provides a clear visual summary of how CSR priorities differ across the three clusters.

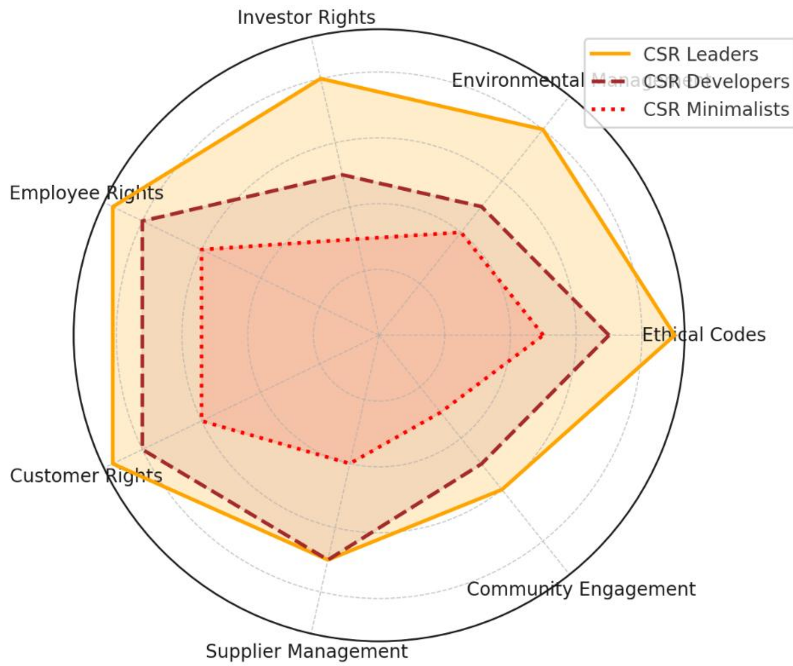

Figure 1.3. Cluster Distribution of CSR Typologies in Chinese Manufacturing Firms*

- - Source: prepared by the author based on processed data

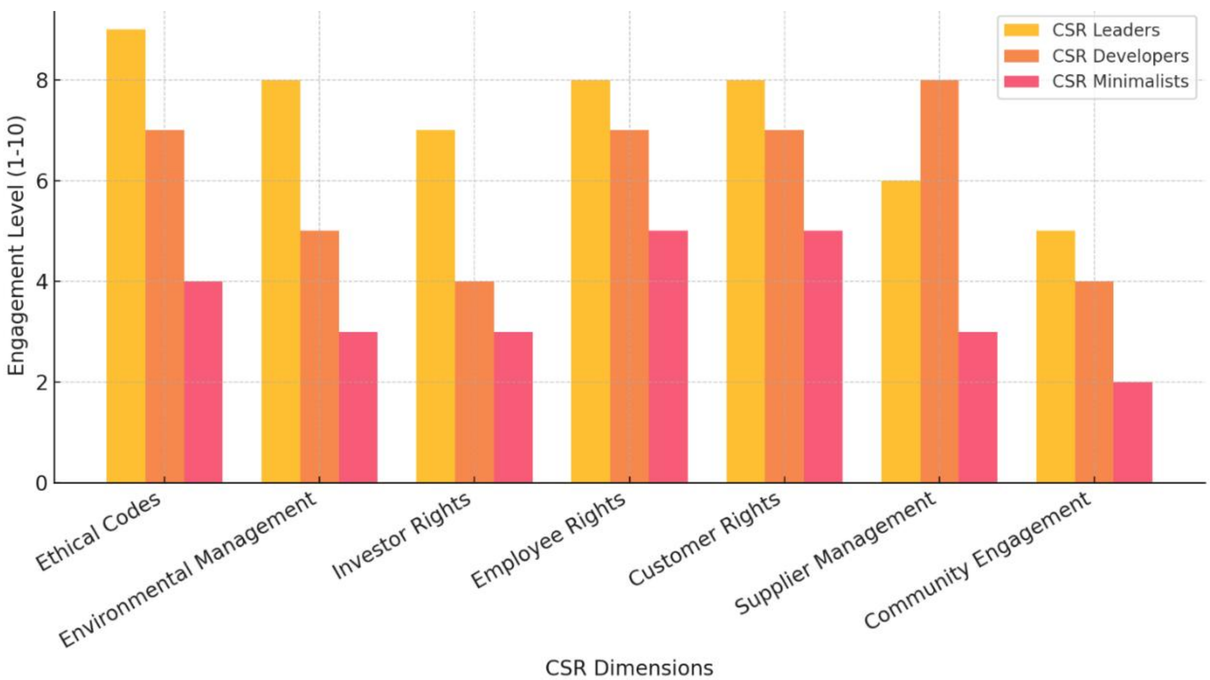

Figure 1.4. Comparative CSR Scores by Cluster Across Key Dimensions

- - Source: prepared by the author based on processed data

Thus, key findings of the paper are as follows:

- Firms with a strong CSR focus (CSR Exemplars) outperform others in financial returns, operational efficiency, and corporate reputation.
- CSR Developers achieve moderate success by emphasizing human capital and supply chain management.
- CSR Minimalists face challenges due to weak stakeholder engagement and lower sustainability investments.
- Government policies and industry characteristics influence CSR adoption patterns, with larger firms in competitive markets more likely to invest in comprehensive CSR programs.

These findings provide valuable insights into the practical applications of CSR strategies in China. By categorizing firms into distinct CSR engagement types, businesses can assess their position and identify areas for improvement. Companies aiming for long-term sustainability should consider moving towards the CSR Leaders category by integrating ethical governance, environmental responsibility, and stakeholder engagement. Understanding these typologies also helps firms benchmark against industry standards and develop more structured CSR policies.

The results have broad applications across multiple domains. Policymakers can use this typology to shape regulatory frameworks that encourage responsible corporate behavior, ensuring that businesses contribute positively to environmental and social goals. Investors can apply these insights to assess company risks and opportunities, prioritizing firms with strong CSR commitments that demonstrate resilience and long-term profitability. Additionally, global supply chain managers can use this classification to ensure ethical sourcing and compliance when engaging with Chinese manufacturers.

For business leaders and strategists, these findings highlight the competitive advantages of a robust CSR strategy. Companies that integrate CSR holistically not only enhance their reputation but also improve financial and operational performance. Organizations that currently fall into the CSR Developers or CSR Minimalists categories can leverage this research to build stronger CSR commitments, leading to better stakeholder relationships and reduced regulatory risks. As global sustainability expectations rise, firms that proactively engage in CSR will secure a more stable and respected position in the international business landscape. Chinese companies must recognize the strategic value of CSR beyond regulatory compliance. Investing in ethical governance, environmental protection, and social initiatives enhances long-term business sustainability. Companies operating in global markets should align their CSR strategies with international standards to maintain competitive advantage.

The findings of this study highlight significant differences in how firms in China approach CSR. The classification into CSR Leaders, CSR Developers, and CSR Minimalists provides a clear framework for understanding corporate engagement in sustainability, ethical governance, and stakeholder relations. The results confirm that firms with high CSR involvement tend to achieve stronger financial, operational, and reputational performance. This reinforces the argument that CSR, when integrated strategically, can serve as a competitive advantage rather than a financial burden.

A key insight from this study is that CSR engagement is influenced by a firm’s market environment, ownership structure, and industry characteristics. CSR Leaders, typically large firms in highly competitive industries, demonstrate a comprehensive approach to CSR, balancing social responsibility with business strategy. In contrast, CSR Developers focus on selective CSR initiatives that align with their business priorities, often emphasizing employee rights and supply chain ethics. Meanwhile, CSR Minimalists remain reactive, engaging in CSR primarily to meet regulatory requirements rather than as a proactive strategy.

Another important finding is the role of external pressures in shaping CSR practices. Government policies, international supply chain demands, and consumer expectations all contribute to how firms prioritize CSR. Companies that engage deeply in CSR are often more resilient to regulatory changes and reputational risks, while those with minimal CSR involvement may face long-term sustainability challenges. This suggests that CSR is not just a corporate obligation but a strategic tool for risk management and long-term growth.

Overall, this study confirms that CSR engagement in China remains diverse, with firms adopting different levels of commitment based on their strategic priorities and external pressures. The typology presented here offers valuable insights for policymakers, investors, and corporate leaders looking to enhance CSR effectiveness. By moving beyond compliance and adopting a more integrated approach, firms can strengthen their market position while contributing to broader societal and environmental goals.

This study provides a structured typology of CSR engagement in China, revealing three distinct categories of firms: CSR Leaders, CSR Developers, and CSR Minimalists. The findings demonstrate that companies with a strong CSR commitment achieve superior financial performance, operational efficiency, and corporate reputation. In contrast, firms with minimal CSR adoption face challenges related to stakeholder trust, regulatory compliance, and long-term sustainability.

The analysis highlights that CSR adoption is not uniform and is shaped by factors such as industry dynamics, market pressures, and government regulations. Larger firms in competitive sectors are more likely to invest in comprehensive CSR programs, while smaller or less competitive firms often focus only on compliance. The role of government policies and external expectations also plays a crucial role in shaping corporate behavior, reinforcing the need for strategic CSR planning.

For businesses operating in China, CSR should be viewed not just as a compliance requirement but as a strategic advantage. Companies that proactively engage in ethical governance, environmental sustainability, and social responsibility will be better positioned to navigate both domestic and international markets. As global CSR standards evolve, firms that integrate responsible business practices will secure long-term growth and resilience.

Ultimately, this study reinforces the idea that CSR is a critical component of modern business strategy. Firms that embrace a comprehensive CSR approach will benefit from enhanced stakeholder relationships, stronger brand reputation, and improved financial outcomes. As expectations for corporate responsibility continue to rise, businesses must prioritize sustainable and ethical practices to remain competitive in an increasingly complex global landscape.

1.3. Bridging Governance, CSR, and Profitability: Insights from ESG Behavior, Board Characteristics, and Managerial Psychology

Environmental, social, and governance (ESG) performance has emerged as a crucial standard for assessing a company's sustainability and long-term value creation (Pasko, Chen, et al., 2022; L. Zhang et al., 2024). Global investors, regulators, and the public now demand that firms embed ESG principles into their operations, strategies, and reporting (Habib & Hossain, 2013; C. Liu & Xin, 2024). Yet while much attention has been paid to external drivers - such as market pressures, regulatory frameworks, and stakeholder expectations - the influence of internal managerial traits on ESG performance has received comparatively little focus.

One key internal factor is managerial overconfidence, a behavioral trait marked by an inflated sense of one’s abilities, judgment, and future success (Weinberg, 2009). Previous research suggests that overconfident managers are more likely to engage in bold strategies, pursue innovation, and take financial risks (Brown & Sarma, 2007; Huang et al., 2016). These tendencies can, on the one hand, push firms toward proactive ESG initiatives, such as investing in green technologies, expanding social programs, or reforming governance practices (MALMENDIER & TATE, 2008). On the other hand, overconfidence may also lead to underestimating ESG risks, neglecting stakeholder concerns, or prioritizing short-term wins over long-term sustainability (HIRSHLEIFER et al., 2012).

The dual nature of managerial overconfidence raises a critical research question: Does overconfidence strengthen or weaken a firm's ESG performance? The answer is not trivial, especially in emerging economies like China, where rapid economic growth, shifting regulations, and evolving investor landscapes create a complex backdrop. China's listed firms operate under hybrid governance models, balancing market mechanisms with strong state influence, making them a particularly interesting case for studying how behavioral factors play out in ESG outcomes.

In recent years, ESG (environmental, social, and governance) performance has become a central theme in corporate research and practice. Scholars increasingly focus on internal drivers of ESG outcomes, with special attention to managerial traits (E. X. Liu & Song, 2025; Oh & Lim, 2022; Pasko et al., 2021, 2023, 2024; Pasko, Yang, et al., 2022; Tao, 2023; Wen et al., 2023). One such trait, managerial overconfidence, refers to the tendency of managers to overestimate their capabilities, judgments, or control over uncertain outcomes. This cognitive bias affects decision-making, risk-taking, and strategic initiatives in complex ways. Below, we examine how overconfidence may influence each ESG pillar, considering both supporting arguments and possible counterpoints.

Environmental Performance. Overconfident managers often favor bold initiatives and long-term innovation, believing they can drive transformational change (Jiang et al., 2025). This confidence can push companies to adopt ambitious environmental goals, invest in clean technologies, and implement energy-efficient practices (Shen et al., 2022). Their risk tolerance may lead them to embrace eco-innovation earlier than competitors, generating environmental advantages (Yang, 2024).

However, there are counterarguments. Overconfident managers might underestimate environmental risks or compliance challenges, leading to poorly designed projects or insufficient environmental safeguards (Chen et al., 2024; Lian et al., 2023). They may also misallocate resources by chasing high-profile green initiatives that look good on paper but fail to deliver measurable environmental benefits (HIRSHLEIFER et al., 2012). Thus, while overconfidence can be a driver of environmental improvement, it may also bring strategic blind spots (Deshmukh et al., 2013; Wallace & Baumeister, 2002).

Social Performance. In the social domain, overconfident leaders often view corporate social responsibility (CSR) as a tool to enhance reputation and secure stakeholder support (Wang et al., 2023). Confident in their ability to manage public image, they may actively engage in philanthropy, employee programs, and community initiatives(C. Liu & Xin, 2024). This can boost the firm’s visibility and strengthen its social capital (Atif & Ali, 2021).

Yet, the downside is that overconfidence can lead to overcommitment(Wallace & Baumeister, 2002). Managers may promise more than they can deliver, stretching organizational resources or focusing on flashy CSR campaigns rather than sustained social impact (Hsu & Lee, 2024). Furthermore, they may downplay stakeholder feedback, assuming their actions are already sufficient (Brown & Sarma, 2007). While managerial overconfidence can energize social initiatives, it may also introduce reputational and operational risks (Du et al., 2025).

Corporate Governance. In terms of governance, overconfident managers may seek to reform internal processes or strengthen board oversight, believing they can improve organizational effectiveness (Du et al., 2025). Their ambition can drive modernization efforts, enhance transparency, and improve accountability structures (Brown & Sarma, 2007).

Conversely, overconfidence can undermine governance by reducing openness to advice or weakening board independence (Heaton, 2002). Managers who overtrust their own judgment might bypass formal controls or marginalize dissenting voices. In extreme cases, this can lead to governance failures. Therefore, while overconfidence can push governance innovation, it can also erode safeguards meant to balance executive power (Kwabi et al., 2024).

Overall ESG Performance. When viewed holistically, managerial overconfidence has the potential to elevate ESG performance by promoting bold strategies, innovation, and visible commitments (Jiang et al., 2025; Xuan, 2024). Confident leaders may act as catalysts for sustainability transformation across all dimensions(Chen et al., 2024). However, the integrated nature of ESG means that missteps in one area (due to overconfidence) can offset gains in others (Y. Zhang & Xiong, 2024). Poor environmental planning, unbalanced social investments, or governance overreach can weaken overall ESG outcomes (Tang et al., 2024). Therefore, understanding the balance between confidence and caution is essential.

The intersection of executive psychology and corporate responsibility has become a focal point in the governance and sustainability literature. In particular, CEO overconfidence—a well-documented behavioral trait—has drawn attention for its potential to influence firm-level environmental, social, and governance (ESG) outcomes. Table 1.8. presents a comparative overview of recent empirical studies that examine the role of CEO overconfidence (and related constructs such as power or managerial traits) in shaping CSR and ESG performance across various organizational settings and regions.

The studies summarized below vary in their contexts, methodologies, and focal industries, yet all converge on a central question: does overconfidence at the top enhance or hinder responsible corporate behavior? The findings shed light on the nuanced and often conditional nature of this relationship, offering valuable insights for scholars, practitioners, and regulators alike.

Table 1.8. Prior studies on the relationship between CEO overconfidence and CSR/ESG*

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
(Wang et al., 2023)	ESG performance of Chinese A-share listed companies (measured on a scale from 1 to 9 based on Huazheng ESG ratings)	Executive overconfidence (measured by earnings forecast bias and alternative characteristics such as CEO age, gender, education, duality of roles)	23,164 firm-year observations from 3634 Chinese A-share listed companies, covering 2009–2020	- Executive overconfidence significantly improves corporate ESG performance - Mechanisms: risk-taking capacity and attention-seeking behavior - Effects are more pronounced in firms with low-quality accounting information, lower institutional ownership, ample cash flow, and higher government subsidies - ESG performance improves firm value (Tobin’s Q)	A **positive association** between executive overconfidence and corporate ESG performance
(Lin, T.-Y., & Zhang, Y.-P. ,2025)	Corporate ESG ratings, measured using a 9-point scale from Huazheng ESG ratings.	CEO power dimensions: - Structural power: CEO's position within the organizational hierarchy. - Ownership power: CEO's shareholding in the company. - Expert power: CEO's professional	Data from Chinese A-share listed companies spanning 2015 to 2020.	- **Positive correlations**: CEO ownership power, expert power, and prestige power are significantly positively associated with higher ESG ratings. - **Negative correlation**: CEO structural power is significantly negatively associated with ESG ratings. - These findings support theories such as agency theory, convergence of interests hypothesis, managerial flexibility theory, and upper echelons theory.	The study supports a nuanced view: while certain aspects of CEO power (ownership, expertise, prestige) enhance ESG performance, excessive structural power may hinder it. This underscores the importance of

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
		expertise and experience. - Prestige power: CEO's reputation and social standing.			balanced CEO authority in promoting effective ESG practices.
(Souguir et al., 2025)	Environmental performance score of firms (overall environmental rating, including aspects such as emissions and resource use).	CEO overconfidence (primary variable of interest). Moderating variableCEO international experience (returnee CEOs—those with foreign education or work experience—used to test moderation effect).	222 French firms, covering the period from 2009 to 2021.	- CEO overconfidence is **positively associated** with better environmental performance. - CEOs with international experience (returnee CEOs) **moderate** this relationship: they are less overconfident in eco-related decisions.	A **positive association**, moderated by international experience—overconfident CEOs generally promote environmental initiatives, but returnee CEOs temper this tendency with greater strategic awareness.
(Jarraya & Boujelbène, 2025)	Bank performance – measured as financial performance (FP).	- Corporate Social Responsibility (CSR) - CEO overconfidence Moderating variable: CEO overconfidence – moderates the relationship between CSR and financial performance.	115 American and European banks during the period 2013–2022.	- CSR alone has a negative effect on bank financial performance due to resource depletion. - CEO overconfidence has a positive direct effect on performance, as overconfident CEOs overestimate their contributions. - CEO overconfidence has a negative effect on CSR efficiency but positively moderates the CSR–performance relationship.	A complex interaction: - Negative association between CSR and financial performance alone. - Positive association when CEO overconfidence is present as a moderating factor.
(Khattak et al., 2024)	Sustainable competitive performance of SMEs.	Managerial overconfidence. Mediating variable: Digital transformation – mediates the	372 SMEs from an emerging economy (specific country not detailed in	- Managerial overconfidence positively influences both digital transformation and sustainable competitive performance. - Digital transformation is a significant mediator in the	A **positive association** between managerial overconfidence and sustainable competitive

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
		relationship between overconfidence and sustainable performance.	the abstract).	relationship between overconfidence and performance. - Digital culture positively moderates the relationship between overconfidence and digital transformation.	performance, mediated by digital transformation and moderated by digital culture.

* - *prepared by the author based on the following sources referenced in the table.*

The comparison of these five studies reveals a complex, multifaceted relationship between CEO overconfidence and ESG or CSR-related outcomes. Rather than offering a single, linear effect, the research highlights how context, governance structures, and managerial attributes shape the impact of overconfidence on firm behavior and performance.

Wang et al. (2023) provide robust evidence that executive overconfidence, when channeled through strong risk-taking and visibility motives, enhances ESG performance in Chinese listed firms. Their findings suggest that overconfident leaders are not inherently reckless; in the right institutional and financial context—particularly where cash flow is strong and regulatory oversight is present—they can become agents of positive ESG change.

In contrast, Lin and Zhang (2025) dissect CEO power into structural, ownership, expertise, and prestige components, finding that not all forms of power are beneficial. Structural dominance, which often limits checks and balances, negatively affects ESG outcomes. Meanwhile, prestige and expertise correlate positively with ESG ratings. This distinction underscores the importance of corporate governance in moderating the influence of psychological traits on strategic decisions.

Souguir et al. (2025) add another layer by incorporating international experience. Their study on French firms shows that CEO overconfidence tends to foster stronger environmental performance, but this effect is moderated by prior exposure to foreign business cultures. Returnee CEOs, while still confident, demonstrate greater strategic restraint. This points to the value of diverse managerial experience as a buffer against excessive optimism.

Jarraya and Boujelbène (2025) shift the lens to the financial sector, revealing a dual role for CEO overconfidence. While it weakens the efficiency of CSR investments, it paradoxically strengthens the link between CSR and performance. This suggests that overconfident CEOs may pursue CSR for image reasons, yet still succeed in aligning those efforts with shareholder value. The study highlights the reputational motivations behind executive behavior in a highly scrutinized sector.

Lastly, Khattak et al. (2024) explore overconfidence in the SME context. Here, the trait acts as a driver of digital transformation, which in turn supports long-term competitive advantage. Interestingly, the presence of a strong digital culture enhances this effect. In smaller, more agile firms, overconfidence seems to function more as an entrepreneurial asset than a liability—especially when embedded in a supportive organizational environment.

Taken together, these studies caution against one-size-fits-all interpretations. Overconfidence may fuel innovation and strategic boldness, but without balance—through governance, culture, or experience—it can also lead to inefficient investments or reputational risk. Future research would benefit from exploring sector-specific dynamics, cross-cultural comparisons, and longitudinal effects, especially in light of growing ESG disclosure expectations globally.

These insights also carry practical implications. Boards and investors should assess not only a CEO’s confidence level but also the organizational systems that shape its expression. Confidence, when checked by accountability and informed by experience, can become a powerful force for sustainability.

In recent years, environmental, social, and corporate governance (ESG) has become a key driver of corporate strategy, investment decisions, and policy debates worldwide (N. Wang et al., 2024a). Global investors, consumers, and regulators increasingly recognize that corporate success cannot be measured by financial performance alone. Firms are now expected to address broader environmental and social responsibilities, ensuring that their governance structures align with sustainable and ethical standards (Pasko, Kharchenko, et al., 2024; Zhu et al., 2024). As ESG moves from being a voluntary practice to an integral part of corporate identity, questions arise about whether these efforts deliver tangible financial benefits (Chi et al., 2024; Pasko et al., 2023).

China presents a particularly compelling context for examining these questions. As the world's second-largest economy, China has experienced rapid industrialization, urbanization, and financial market development over the past two decades. This growth has come with complex environmental and social challenges, from air and water pollution to labor conditions and governance reforms. In response, the Chinese government has introduced a series of regulatory initiatives aimed at promoting corporate social responsibility and sustainability (W. Liu & Yan, 2025). At the same time, institutional investors and other market participants have begun to prioritize ESG performance in their assessments of corporate value. Yet despite these shifts, empirical research on the financial impact of ESG practices in China remains limited.

While a robust body of literature has examined ESG and firm performance in developed markets, emerging markets present distinct dynamics. Firms in China face different institutional pressures, regulatory environments, and stakeholder expectations compared to their Western counterparts (Chen et al., 2024; Kuai et al., 2025; Yu & Xiao, 2022). For example, state ownership, market transitions, and regional disparities introduce complexities that may alter the ESG–performance link.

As such, it is critical to assess whether the positive correlations found in Western studies hold in China or whether the relationship follows a different pattern. This study aims to fill that gap by providing a comprehensive empirical analysis of ESG performance and firm profitability in the Chinese context.

Specifically, this study examines all A-share listed companies in China's Shanghai and Shenzhen stock markets over a ten-year period (2013–2023). We explore how firms' ESG ratings, as measured by the Huazheng ESG system, relate to their financial outcomes, focusing on key performance indicators such as return on assets (ROA) and return on equity (ROE). We also investigate the individual contributions of environmental, social, and governance components, recognizing that each dimension may affect firm performance in distinct ways. Moreover, the study accounts for firm-level control variables, such as size, leverage, board structure, and age, to isolate the unique effects of ESG factors.

Beyond the general ESG–performance relationship, we conduct a heterogeneity analysis to explore whether the impact of ESG differs across China's eastern, central, and western regions. Given the country's vast geographic and economic diversity, regional variations can offer important insights into how local contexts shape the value of ESG practices. For instance, firms in the more developed eastern provinces may face greater stakeholder scrutiny and stronger market incentives to pursue sustainability, while firms in central and western regions may operate under different pressures and constraints.

The contributions of this paper are threefold. First, it enriches the empirical literature on ESG by focusing on China, an emerging market with unique institutional characteristics. Second, it offers robust evidence on the financial effects of ESG practices, helping firms and investors make informed decisions about resource allocation and strategy. Third, it provides policy-relevant insights, highlighting the areas where ESG can play a meaningful role in supporting China's broader sustainability goals.

The integration of environmental, social, and corporate governance (ESG) practices into firm strategy has become an essential factor for evaluating corporate sustainability and long-term performance, especially in emerging markets like China. Recent studies emphasize that Chinese listed firms increasingly face stakeholder pressure and regulatory requirements to strengthen ESG disclosure, making the relationship between ESG and financial performance both timely and significant (E. X. Liu & Song, 2025; Ruan & Liu, 2021).

Environmental Performance. Environmental performance refers to a firm's actions to reduce environmental harm, such as minimizing carbon emissions, improving energy efficiency, or adhering to pollution control standards. Scholars argue that firms engaging in proactive environmental management can achieve cost savings and reduce regulatory risks (Li et al., 2024; E. X. Liu & Song, 2025; X. Wang et al., 2024). Moreover, environmental responsibility may improve brand reputation and attract environmentally conscious investors, enhancing long-term financial stability (Ruan & Liu, 2021). However, critics point to potential downsides, such as high up-front investment costs and uncertain financial returns, especially in heavy industries where environmental reforms are capital intensive (Lu & Gong, 2024).

Social Performance. Social performance includes how firms engage with employees, customers, suppliers, and communities. Strong social practices - such as fair labor policies, customer protection, and community support - are believed to enhance stakeholder trust and loyalty, which can translate into improved financial outcomes (Chi et al., 2024; Pasko, Chen, et al., 2021; Pasko, Zhang, et al., 2021; Pasko, Zhang, Proskurina, Sapych, et al., 2024; Shu & Tan, 2023; N. Wang et al., 2024b; X. Wang, 2024). Empirical research from China shows that socially responsible firms often experience lower employee turnover and stronger customer satisfaction, both of which contribute to profitability (Pasko, Zhang, Proskurina, Ryzhikova, et al., 2024; Zhu et al., 2024). On the other hand, some studies highlight that social initiatives may dilute managerial focus and divert resources from core operational areas, potentially reducing short-term profits (Barman & Mahakud, 2025; Deb et al., 2024; Liang et al., 2024; Ruan & Liu, 2021).

Corporate Governance. Corporate governance relates to the structures, policies, and mechanisms that ensure accountability, transparency, and alignment of management decisions with shareholder interests. Prior Chinese studies show that good governance improves resource allocation, reduces agency conflicts, and limits managerial opportunism, thus enhancing financial outcomes (Feng et al., 2025; Guo, 2024; Lu & Gong, 2024; Pasko et al., 2023; Pasko, Kharchenko, et al., 2024; Pasko, Zhang, Markwei Martey, et al., 2024; Pasko, Zhang, Proskurina, Ryzhikova, et al., 2024; Zhu et al., 2024). Governance practices such as board independence, audit committee strength, and clear shareholder rights have been found to improve firm valuation (Li et al., 2024; Ruan & Liu, 2021). Yet, critics note that formal governance reforms may be symbolic or superficial, particularly in state-owned enterprises where political influences persist, reducing the expected performance gains (Feng et al., 2025; Makridou et al., 2024).

Overall ESG Performance. Overall ESG performance integrates the environmental, social, and governance dimensions into a holistic assessment of a firm's sustainability orientation. Recent research indicates that companies with high overall ESG scores outperform peers on several financial indicators, including return on assets (ROA) and return on equity (ROE), due to their ability to reduce risks, access capital more efficiently, and strengthen stakeholder relationships (Kuai et al., 2025; Li et al., 2024; Yu & Xiao, 2022). However, concerns about ESG "greenwashing"- where firms inflate their ESG claims without making substantial improvements - raise questions about the consistency of this positive relationship (Chen et al., 2024; Ma et al., 2024).(Cherian & Seranmadevi, 2024; X. Wang et al., 2024; Zhang & Liu, 2022).

In recent years, the link between environmental, social, and governance (ESG) factors and corporate financial performance has gained increasing attention. While ESG is often promoted as a driver of long-term value creation, empirical findings remain mixed. Some studies suggest ESG enhances firm performance through improved stakeholder relations and risk management. Others point to higher costs or weak disclosure quality that limit ESG's impact. Table 1.9. below summarizes key studies that examine this relationship across different sectors, regions, and methodological approaches. It highlights how ESG performance or disclosure interacts with firm profitability, valuation, and strategic context.

Table 1.9. Comparative Overview of Empirical Studies Examining the Impact of ESG Factors on Corporate Financial Performance Across Regions and Sectors*

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
(Deb et al., 2024)	Firm performance, measured by: – Return on Assets (ROA) – Return on Equity (ROE) – Tobin's Q	Environmental, Social, and Governance (ESG) scores from Bloomberg	Firms listed on the Nifty 100 Index (India); panel data collected from Bloomberg (ESG) and Prowess (financials)	- ESG scores have a negative effect on operational (ROA) and financial (ROE) performance in the long term. - In the short term, the effect is statistically insignificant on operational and financial performance. - ESG has a positive and significant impact on market performance (Tobin's Q) in both short and long terms.	A mixed relationship: ESG improves market valuation (Tobin's Q) but tends to reduce operational and financial performance over time. This supports a nuanced stakeholder view—ESG may enhance reputation and valuation while adding cost burdens.
(Atan et al., 2018)	- Profitability: Return on Equity (ROE)	ESG factors (individual and combined scores for	54 Malaysian public-listed companies (PLCs) with	- No significant relationship between ESG (individual or	A limited association: ESG factors do not significantly affect

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
	- Firm value: Tobin's Q - Cost of capital: Weighted Average Cost of Capital (WACC)	Environmental, Social, and Governance dimensions) from Bloomberg ESG data	full ESG and financial data from 2010 to 2013 (data sourced from Bloomberg)	combined) and ROE or Tobin's Q. - No significant relationship between individual ESG components and WACC. - Combined ESG score has a positive and significant impact on WACC.	firm profitability or market value, but positively influence the cost of capital when assessed collectively. ESG may be seen as a risk or cost factor from a capital perspective.
(Ozata Canli & Sercemeli, 2025)	- Return on Assets (ROA) - Return on Equity (ROE) (both used to measure corporate financial performance)	ESG disclosures, measured by the LSEG ESG Disclosure Score (covering environmental, social, and governance dimensions)	Top 100 global energy companies by market capitalization in 2022	- Overall, ESG disclosures show an insignificant relationship with financial performance (ROA, ROE) in the energy sector. - Environmental disclosures have a negative impact on financial performance. - Social disclosures have a positive impact (ROA only). - Governance disclosures show no significant effect.	A mixed and mostly weak association: ESG disclosure, especially in low-performing disclosure environments like the energy sector, does not robustly drive financial performance. Individual ESG pillars yield divergent outcomes (positive, negative, or insignificant).
(Lee et al., 2025)	Profitability of Asian energy companies (specific financial metrics not explicitly stated in the abstract, but generally referring to financial performance)	Disaggregated ESG component scores: – Environmental (E) – Social (S) – Governance (G) (focus in this study was mainly on E and S)	Asian energy companies (exact number not specified; regional focus on Asia)	- Environmental (E) scores enhance profitability below specific thresholds, but may reduce it above them. - Social (S) scores improve profitability when exceeding thresholds. - Results suggest a nonlinear (threshold) effect of ESG components on profitability.	A conditional positive association: ESG can enhance profitability, but only if managed within strategic thresholds. Exceeding optimal levels may lead to diminishing returns, stressing the need for calibrated ESG strategies in the energy sector.

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
(Latella & Veltri, 2025)	Firm value, measured by Tobin's Q	ESG performance, based on: – Combined ESG score – Environmental pillar score (E) – Social pillar score (S) – Governance pillar score (G) (all sourced from Refinitiv Eikon ESG ratings)	Small-capitalized European listed energy companies, over the 5-year period from 2017 to 2021	- Overall ESG performance and the Environmental pillar are positively associated with firm value. - The Social and Governance pillars show no significant relationship with firm value.	A partial positive association: firm value in small-cap energy firms benefits from strong ESG performance overall, especially from environmental factors, while social and governance factors appear neutral in this context.
(Maji & Lohia, 2024)	Corporate financial performance, measured using: – Accounting-based metrics (e.g., return measures) – Market-based metrics (e.g., firm valuation)	ESG disclosure, separated into: – Core (established) ESG metrics – Expanded (detailed) ESG metrics, particularly in social and governance aspects	top 100 non-financial firms listed on the Bombay Stock Exchange, India, from 2019 to 2022	- Social and governance disclosures positively impact market performance. - Environmental disclosure has a negative effect on accounting-based performance. - Only expanded governance disclosure adds value in market terms. - COVID-19 significantly moderates the ESG–performance link, with stronger effects pre-pandemic.	A partially positive association: ESG—particularly social and governance factors—enhances market value. Environmental disclosure may strain operational results. COVID-19 acts as a significant moderator, altering ESG's influence across time.

** - prepared by the author based on the following sources referenced in the table.*

This study reviews a set of recent empirical works that investigate how ESG factors influence corporate financial outcomes. The analysis focuses on a diverse mix of firms across emerging and developed markets, with particular attention to the energy and financial sectors. Several key insights emerge.

First, ESG impact is not uniform. Studies show that environmental performance can have either positive or negative financial effects depending on disclosure quality, cost structures, and sector-specific sensitivities. Social and governance factors, especially when expanded and detailed, are more consistently linked to improved market valuation. However, operational performance—measured by accounting returns—often shows weaker or even negative links, particularly when ESG initiatives are not well integrated into core strategy.

Second, firm size, capital structure, and regional context shape ESG outcomes. Small-cap firms may benefit more visibly from environmental practices, while larger firms face higher scrutiny and expectations. Regional factors such as regulatory regimes, investor pressure, and disclosure standards also moderate ESG's effectiveness.

Third, the timing and scope of ESG measurement matter. Some studies distinguish between core and expanded ESG metrics, showing that broader disclosures in governance and social domains have greater impact. Others find that ESG effects evolve over time, with crises such as the COVID-19 pandemic shifting the strength and direction of the relationship.

Taken together, these findings underscore the importance of a tailored ESG strategy. Companies must go beyond box-ticking and align ESG efforts with industry dynamics, stakeholder expectations, and internal capabilities. For researchers and policymakers, the results highlight the need for sector-specific benchmarks and improved ESG data consistency. Future studies should continue exploring non-linear and threshold effects, as well as long-term financial implications across different economic cycles.

In sum, ESG remains a powerful but complex element of corporate value. Its effectiveness depends on how, where, and when it is implemented—and whether firms are willing to treat it as more than just compliance.

Corporate sustainability has become one of the most pressing issues in global business practice (Jiang et al., 2023; Madhura et al., 2024; Pasko et al., 2023; Pasko, Yang, et al., 2022). No longer confined to optional corporate social responsibility

(CSR) initiatives, sustainability today stands at the core of how firms define their long-term strategies, reputations, and stakeholder relationships. Increasing public attention, combined with heightened regulatory and investor scrutiny, has placed new demands on companies to disclose detailed, transparent, and credible information about their environmental, social, and governance (ESG) performance (Abu Khalaf, 2024; Buch Thu, 2024; Pasko, Chen, et al., 2022). Yet despite the growing global emphasis on sustainability, the organizational factors that determine the quality and scope of ESG reporting remain underexplored, particularly in the context of emerging economies.

Boards of directors play a pivotal role in shaping firms' sustainability strategies (Abu Khalaf, 2024; Anyigbah et al., 2023). As the highest governance body, the board not only oversees management but also sets the tone for the company's values, risk management practices, and long-term goals. Scholars have long debated which board features matter most for effective governance: Does a larger board bring more expertise and resources, or does it introduce inefficiency? Are independent directors able to strengthen ESG oversight, or are their impacts limited by institutional constraints? Does the combination of CEO and chair roles weaken governance, or can it enhance alignment and accountability? While these questions have been widely investigated in the context of financial outcomes, their relationship to non-financial reporting - especially ESG disclosures - has received less systematic attention(Abu Khalaf, 2024; Khan et al., 2021).

China offers a unique setting to investigate these issues. As one of the largest and fastest-growing economies, China has seen a remarkable rise in both the scale and complexity of its capital markets. Over the past decade, Chinese regulators have intensified efforts to improve corporate governance, encourage sustainability initiatives, and align domestic firms with global ESG standards. Nonetheless, corporate sustainability practices in China remain highly uneven. Some firms have become international leaders in ESG innovation, while many others lag in both reporting quality and substantive performance. This heterogeneity raises critical questions about the internal governance mechanisms that drive ESG engagement.

This study aims to contribute to the literature by systematically analyzing how board characteristics affect the sustainability reporting practices of Chinese listed firms. Using a panel dataset of A-share companies from 2013 to 2023, we explore five key board dimensions: size, independence, CEO duality, meeting frequency, and the number of specialized board committees. By linking these governance features to two distinct measures - sustainability report disclosure levels (CSRI) and ESG scores - we offer a robust empirical assessment of how corporate governance structures shape firms' ESG transparency.

Theoretically, we draw on both agency theory and resource dependence theory to frame our inquiry. Agency theory emphasizes the monitoring role of the board, suggesting that independent directors and formal governance structures improve management accountability, including in non-financial domains. Resource dependence theory, on the other hand, highlights how boards provide access to external resources, expertise, and legitimacy, which can enhance firms' ability to navigate complex sustainability demands. By integrating these perspectives, we provide a nuanced understanding of the pathways through which board structures influence sustainability outcomes.

Beyond its academic contributions, this research offers practical insights for policymakers, corporate leaders, and investors. For regulators, identifying which governance features promote higher-quality sustainability reporting can inform future corporate governance reforms. For firms, understanding the governance drivers of ESG performance can help shape internal practices and improve stakeholder engagement. For investors, especially those pursuing ESG-aligned investment strategies, insights into the governance–sustainability nexus can enhance portfolio selection and risk management.

The growing importance of corporate sustainability has prompted researchers to examine how internal governance structures shape firms' ESG practices. While external pressures, such as regulatory frameworks and investor expectations, undeniably influence disclosure, it is the board of directors that ultimately determines whether firms will meaningfully engage with sustainability or treat it as a box-ticking exercise. Understanding which board characteristics matter most offers vital insights for theory and practice.

Board size has traditionally been viewed as a double-edged sword. On one hand, larger boards bring a wider range of expertise and resources, potentially improving oversight of sustainability-related matters and enhancing firms' capacity to address ESG risks (Beji et al., 2021; Bravo & Reguera-Alvarado, 2019; Pasko et al., 2021, 2024). On the other hand, overly large boards can suffer from coordination problems, slow decision-making, and diluted accountability, which may weaken the effectiveness of sustainability governance (Bayong et al., 2024; Pasko, Lagodiienko, et al., 2022). Prior research offers mixed evidence, making it crucial to test whether board size plays a decisive role in shaping ESG disclosures.

Board independence is widely considered a cornerstone of effective governance. Independent directors are expected to strengthen board monitoring, provide impartial oversight, and advocate for broader stakeholder interests, all of which can enhance sustainability reporting (Azzam, 2024). Yet critics point out that independent directors may lack deep operational knowledge or be marginalized within the board, limiting their capacity to influence non-financial outcomes (Ma & Chen, 2024; Pasko, Lagodiienko, et al., 2022; Zhu et al., 2024). Clarifying this relationship is essential for understanding how board composition affects ESG performance.

CEO duality, the combination of the roles of CEO and board chair, has sparked ongoing debate. Agency theory suggests that duality concentrates power in the hands of the CEO, reducing the board's independence and weakening its ability to challenge management on sustainability issues (Kazim et al., 2024; Khan et al., 2021; Mirza et al., 2024; Pasko et al., 2021; Zhang et al., 2024). In contrast, stewardship theory argues that unified leadership can improve strategic alignment and decision-making, potentially advancing ESG goals(Abu Khalaf, 2024; Buch Thu, 2024; Madhura et al., 2024; Pasko et al., 2021; Voinea et al., 2022). The empirical evidence on this issue remains inconclusive, underscoring the need for further investigation.

The frequency of board meetings is another important, though less frequently studied, governance dimension. More frequent meetings can indicate an active, engaged board that stays informed and responsive to emerging ESG challenges (Khan et al., 2021; Pasko et al., 2024; Yiheng et al., 2024; Zhu et al., 2024). However, frequent meetings can also reflect governance inefficiencies or underlying problems, distracting from long-term sustainability goals (Bayong et al., 2024; Ma & Chen, 2024; Pasko, Lagodiienko, et al., 2022). Understanding how meeting regularity interacts with ESG reporting is an important empirical question.

Finally, the number of board committees reflects the specialization and depth of governance processes. A greater number of specialized committees can promote focused attention on ESG matters and strengthen oversight capacity (Anyigbah et al., 2023; Arif et al., 2021; Bravo & Reguera-Alvarado, 2019; Buch Thu, 2024; Jiang et al., 2023). Yet excessive reliance on committees may lead to fragmented governance, overlapping responsibilities, and blurred accountability (Arif et al., 2021; Bravo & Reguera-Alvarado, 2019; Yiheng et al., 2024; Zhu et al., 2024). Whether committee structures support or hinder sustainability reporting remains an open question.

Corporate governance plays a critical role in shaping the quality and extent of sustainability and CSR reporting. A growing body of research explores how specific board characteristics—such as size, independence, diversity, and the presence of committees—affect firms' sustainability disclosure behavior. Table 1.10 presents a comparative overview of recent empirical studies that examine this relationship across a range of countries and regions. It highlights how board structures, contextual factors, and governance mechanisms influence the likelihood and quality of sustainability and CSR reporting in both emerging and developed markets.

Table 1.10. Comparative Overview of Empirical Studies on Board Characteristics and Their Influence on Sustainability and CSR Reporting Across Regions*

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
(Abu Khalaf, 2024b)	Adoption of sustainable reporting practices (binary outcome: whether firms adopt sustainability reporting or not)	Board characteristics, including: – Board size – Board gender diversity – Board independence – Board meeting frequency	All non-financial firms listed on GCC stock exchanges, covering an 11-year period	- Larger boards, more gender-diverse boards, more independent directors, and more frequent meetings are positively associated with the adoption of sustainable reporting. - Profitability and liquidity also support sustainability disclosure, especially in larger firms.	A positive association: Board structure and composition matter. Well-governed boards—with diversity, independence, and active involvement—are more likely to support and implement sustainability reporting practices in the GCC corporate environment.
(Githaiga & Kosgei, 2023)	Sustainability reporting, measured using the Global Reporting Initiative (GRI) standards	Board characteristics, including: – Board gender diversity – Board financial expertise – Board independence	79 listed firms from East African securities exchanges, covering the period 2011–2020	- Board gender diversity, financial expertise, and independence are positively and significantly associated with sustainability reporting. - Board size has a negative and significant	A mixed association: Board effectiveness in driving sustainability reporting depends on structure. Diverse, knowledgeable, and independent

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
		– Board size		effect on sustainability reporting.	boards support better ESG disclosure, but larger boards may hinder efficiency and adoption.
(Buch Thu, 2024b)	Corporate Social Responsibility Disclosure (CSRD) – measured through content analysis of annual reports from manufacturing firms	Board characteristics, including: – Board size – Board independence – Women on board – Board meetings – Managerial ownership – Female leadership	195 manufacturing companies listed on the Vietnam stock exchange, observed over the period 2018–2022	- Managerial ownership has a strong negative impact on CSRD. - Female leadership and board size have a positive and significant effect on CSRD. - Board independence, board meetings, and presence of women on board are not significant predictors.	A selective association: governance features like actual female leadership and larger boards support CSR disclosure, but symbolic inclusion (e.g., female presence without leadership power) and passive boards show little impact in the Vietnamese context.
(Kateb & Youssef, 2025)	CSR/Sustainability Reporting Quality, measured using a scoring system (0–2 scale) based on the extent and quality of disclosure	Board characteristics, including: – Board expertise – Board attendance – Board size	75 firms listed on the Saudi Stock Exchange, over the period 2013–2020	- Board expertise and board attendance have positive and significant effects on CSR/sustainability reporting quality. - Board size alone is not significant, but becomes positively associated when a CSR committee is present, though this is negatively moderated. - CSR committee strengthens reporting quality, but has a nonsignificant moderating effect on board expertise and dampens the effect of attendance.	A conditional positive association: board engagement and expertise improve sustainability reporting. CSR committees enhance quality overall, but their interaction with board dynamics is complex and may weaken certain positive board effects.
(Alta'any et al., 2024)	Sustainability Reporting (SR) and its three dimensions:	Board characteristics, including: – Board size	370 listed firms from 50 countries, making the study	- Sustainability committee (SC) has a positive and significant effect on SR and all its dimensions.	A differentiated association: sustainability governance (e.g., SC presence) and

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
	– Economic disclosure – Environmental disclosure – Social disclosure Measured using a GRI-based disclosure index	– Board independence – CEO duality – Board gender diversity – Presence of sustainability committee (SC)	international in scope	- Board size also shows a positive impact on overall SR and the economic and social dimensions. - Board independence and CEO duality show negative effects on SR. - Board gender diversity has no significant impact on SR or its components.	board size improve SR, while excessive independence or power concentration (duality) may hinder it. Gender diversity shows no significant effect, suggesting formality without functional influence.
(Pasko et al., 2021)	Sustainability reporting conduct – measured as a binary variable indicating the presence or absence of sustainability reporting (not the quality)	Corporate governance attributes, including: – Board size – Board independence – Female directors – CEO duality	10,330 firm-year observations of Chinese listed companies, covering the period 2015–2018, with data sourced from WIND and CSMAR databases	- Board size and board independence are positively associated with the likelihood of sustainability reporting. - Female directors and CEO duality show no significant impact on sustainability reporting conduct in the Chinese context.	A partially positive association: well-structured boards (larger, more independent) promote sustainability disclosure, while gender diversity and CEO role concentration do not significantly affect reporting behavior in China's institutional environment.

** - prepared by the author based on the following sources referenced in the table.*

The studies summarized in Table 1.10 reflect a clear shift toward understanding the governance-driven dynamics of sustainability reporting. Several consistent patterns emerge, though regional and institutional differences create important variations.

First, board size shows mixed results. In the GCC and Vietnam, larger boards support sustainable reporting, likely due to broader representation and capacity. In contrast, the East African study finds that large boards hinder reporting, possibly due to coordination issues or reduced accountability. This suggests that board size interacts with regional governance cultures and norms.

Second, board independence is generally seen as a positive factor. It significantly boosts reporting in China and East Africa but has a negative effect in the international sample studied by Alta'any et al. This divergence may reflect differences in how independence is defined and enforced across jurisdictions. Where independence is formal but not functional, it may not enhance oversight or stakeholder focus.

Third, gender diversity on boards reveals limited or no influence in most studies. The Vietnamese case suggests that the mere presence of women has no effect unless they hold leadership roles. Similarly, the global findings by Alta'any et al. show no significant impact. These results indicate that gender inclusion, while important symbolically, requires meaningful authority to translate into reporting outcomes.

Fourth, the presence of sustainability or CSR committees consistently strengthens disclosure quality. Both the international and Saudi Arabian studies show that these specialized bodies provide structure and oversight, enhancing the firm's ability to report comprehensively. However, committee effectiveness depends on how it interacts with broader board dynamics, as seen in the Saudi case where committee presence can weaken other board contributions through overlapping responsibilities.

Finally, the studies affirm that governance context matters. For example, in Vietnam and China, managerial ownership and CEO duality reduce CSR disclosure, reflecting concentrated control and possible resistance to transparency. In contrast, active boards in the GCC and East Africa contribute positively, highlighting the enabling role of independent oversight in environments with rising stakeholder expectations.

In conclusion, while no single board structure guarantees improved sustainability reporting, several elements stand out: independence, active participation, and targeted oversight via committees. These findings have practical implications. Policymakers and firms should focus not only on formal board features but also on how those features function in practice. Effective sustainability governance is not about ticking boxes—it is about enabling boards to engage meaningfully with long-term value and accountability. Future research should further explore how these dynamics evolve over time and respond to regulatory and market pressures.

The rise of environmental, social, and governance (ESG) principles has fundamentally reshaped corporate priorities around the world. No longer confined to the realm of voluntary reporting, ESG standards are now central to how firms measure value, manage risk, and ensure long-term sustainability (Barman & Mahakud, 2025; Crotty & Holt, 2021; Y. Ma et al., 2024; Pasko, Zhang, Markwei Martey, et al., 2024; Pasko, Zhang, Proskurina, et al., 2024; Rameshwar et al., 2020). This global trend is especially prominent in China, where rapid economic growth has been coupled with mounting environmental and social challenges (Feng et al., 2025; Pasko, Chen, Birchenko, et al., 2021). Against this backdrop, Chinese corporations face growing pressure—from regulators, investors, and society—to align their operations with ESG benchmarks.

A crucial, yet often underexplored, dimension of ESG performance is corporate governance. While many studies focus on external factors such as regulatory frameworks or market dynamics, the internal architecture of firms—specifically, board composition and ownership structure—may play a pivotal role in shaping ESG outcomes. The question is simple but pressing: who governs ESG within the corporate walls, and how do their decisions steer sustainability agendas?

Agency theory and stakeholder theory provide compelling reasons to scrutinize internal governance(Chang et al., 2024; A. K. F. Ma & Chen, 2024). Board members, especially independent directors, act as stewards of diverse stakeholder interests. Their expertise and oversight can help companies balance short-term financial pressures with long-term sustainability goals. Likewise, ownership concentration and managerial incentives can either foster or hinder ESG integration. For example, when executives hold significant equity, their alignment with long-term company success may strengthen ESG commitments. Conversely, dominant shareholders focused on immediate returns may deprioritize investments in sustainability.

China's unique institutional context adds further complexity. The coexistence of state-owned enterprises (SOEs) and privately held firms creates distinctive governance dynamics. SOEs often face stricter ESG mandates, given their public accountability and policy-driven nature (Voinea et al., 2022; Zhao et al., 2024). At the same time, cultural and operational norms may shape how governance mechanisms function in practice, distinguishing China from Western corporate governance models (Ji et al., 2025; Xiao & Xiao, 2025).

Existing research provides mixed evidence. Some scholars argue that larger boards contribute positively to ESG performance by bringing diverse perspectives (Alketbi & Ahmad, 2024; Ji et al., 2025; Jian, Li; Zhenghui, Pan; Yang, Sun; Wei, 2024; Xiao & Xiao, 2025), while others find diminishing returns due to coordination inefficiencies (Ko et al., 2020; Mura et al., 2024). Similarly, the role of CEO duality—where the same individual serves as both CEO and board chair—remains debated, with questions about whether power consolidation compromises board oversight (Azzam, 2024; Mirza et al., 2024). The ownership structure also presents contradictions: while managerial ownership might incentivize sustainable strategies, controlling shareholders can exert pressure to maximize short-term profits at the expense of ESG priorities (Liu & Lee, 2024; A. K. F. Ma & Chen, 2024).

Corporate governance has long been recognized as a critical factor influencing organizational performance, including ESG outcomes. Scholars have debated the extent to which internal governance structures—such as board characteristics and ownership concentration—facilitate or hinder sustainability. This section reviews key findings and theoretical arguments surrounding each governance factor, setting the stage for the hypotheses.

Board Size. The relationship between board size and ESG performance is widely debated. On the one hand, larger boards are believed to bring a diversity of skills, experiences, and perspectives, which can enhance decision-making and enable a company to address complex ESG challenges more effectively (Khan et al., 2021; Pasko, Chen, & Wang, 2021; Pasko, Kharchenko, Kovalenko, et al., 2024; Pasko, Yang, et al., 2022; Zhu et al., 2024). Studies suggest that a broad pool of expertise allows boards to integrate environmental and social considerations into corporate strategy.

However, critics argue that larger boards may suffer from coordination problems and diluted accountability. As board size increases, it can become harder to reach consensus, potentially slowing down decision-making and reducing oversight quality(Abu Khalaf, 2024; Anyigbah et al., 2023; Pasko, Chen, Birchenko, et al., 2021; Pasko, Lagodiienko, et al., 2022). Some empirical studies report no significant effect or even a negative correlation between board size and ESG performance, highlighting inefficiencies in overly large boards (Abu Khalaf, 2024; Anyigbah et al., 2023; Beji et al., 2021; Boukattaya et al., 2022).

Board Independence. Independent directors are expected to act as neutral overseers, ensuring that management serves the interests of all stakeholders, not just shareholders (Abu Khalaf, 2024; Anyigbah et al., 2023; Hu et al., 2020; Ting & Lee, 2024). Numerous studies find that a higher proportion of independent directors strengthens board monitoring, mitigates agency problems, and promotes responsible corporate behavior (Anyigbah et al., 2023; Azzam, 2024). This view is especially relevant for ESG, as independent directors can pressure management to prioritize long-term sustainability over short-term gains.

However, some researchers point out limitations. Independent directors may lack deep knowledge of the firm's operations or industry, reducing their ability to contribute effectively to ESG strategies (Azzam, 2024). Moreover, in certain institutional contexts, such as China, the true independence of board members may be questioned due to social ties or political influences, potentially weakening their role (Buch Thu, 2024).

CEO Duality. The concentration of power when one individual serves as both CEO and board chair—known as CEO duality—raises concerns about weakened checks and balances. Many studies argue that CEO duality undermines board independence, making it harder to challenge management decisions (Mirza et al., 2024; Voinea et al., 2022; Zhang et al., 2024). This can lead to neglect of long-term sustainability goals in favor of short-term performance.

Yet, some literature defends CEO duality, noting that unified leadership can streamline decision-making and provide clearer strategic direction(FAN et al., 2007; Pasko, Zhang, Proskurina, et al., 2024; Zhang et al., 2024). In stable environments or firms with strong internal controls, CEO duality might not significantly harm ESG outcomes. Nonetheless, the prevailing view remains skeptical of its benefits for governance quality.

Board Meeting Frequency. Frequent board meetings are often seen as a sign of active governance. Boards that meet more often may be better positioned to address emerging ESG issues and respond swiftly to stakeholder concerns. Some research suggests a positive link between meeting frequency and corporate performance (Kazim et al., 2024; Khan et al., 2021).

Conversely, especially in the Chinese context, frequent meetings may indicate underlying problems rather than proactive governance. High meeting frequency might reflect crises, internal disputes, or inefficiencies. Therefore, some studies find a negative correlation between board meeting frequency and ESG performance, suggesting that quality—not quantity—of board engagement matters most (Buch Thu, 2024; Chang et al., 2024).

Ownership Concentration: Largest Shareholder's Shareholding. Ownership concentration presents a double-edged sword. On the one hand, large shareholders have strong incentives to monitor management closely, which could theoretically support long-term ESG investments (Bayong et al., 2024; A. K. F. Ma & Chen, 2024). On the other hand, controlling shareholders often prioritize their own short-term interests, sidelining broader stakeholder concerns. Empirical research offers mixed findings, with many studies showing that concentrated ownership is associated with weaker ESG performance, especially when controlling shareholders are focused on rapid financial returns (Chan et al., 2012; Jiang et al., 2023; Liu & Lee, 2024).

Management and Chairman Shareholding. When executives and chairs hold significant equity stakes, their interests are better aligned with the long-term health of the firm. This alignment may encourage deeper commitment to ESG initiatives, as sustainable performance enhances firm value over time. Empirical studies frequently support this perspective, showing a positive link between management ownership and ESG outcomes (Burke, 2022; Shu et al., 2024).

However, excessive managerial ownership can entrench executives, reducing accountability and potentially allowing them to pursue personal agendas, which might not always align with strong ESG performance (Abu Khalaf, 2024; Anyigbah et al., 2023).

State-Owned Enterprises (SOEs). SOEs are typically more exposed to government regulations and social obligations. In China, SOEs face political pressure to set examples of responsible corporate behavior, which often translates into stronger ESG disclosure and performance(Zhao et al., 2024). Studies confirm that SOEs tend to outperform private firms on ESG metrics due to their public accountability(Ji et al., 2025; Voinea et al., 2022; Xiao & Xiao, 2025).

Nevertheless, critics argue that SOEs may focus on formal compliance rather than substantive ESG integration. Additionally, bureaucratic inertia and inefficiencies in SOEs could undermine the quality of ESG initiatives despite higher disclosure rates (Ji et al., 2025; Sun et al., 2022; Zhao et al., 2024).

In the context of Chinese listed companies, the integration of ESG practices into corporate strategy has become a defining challenge for boards and executives. Table 1.11. presents a cross-section of recent empirical studies exploring how ESG performance, board characteristics, and external pressures such as media sentiment shape firm outcomes. These studies span diverse contexts but share a common focus: they examine how governance structures and stakeholder expectations influence resilience, value creation, and strategic adjustment. This body of evidence is particularly relevant for understanding how Chinese companies can strategically manage CSR to align sustainability commitments with financial performance.

For a dissertation focused on strategic CSR management in Chinese listed firms, this table offers foundational insights. It reflects how ESG engagement is no longer optional or isolated—it is embedded in decision-making at the board level and closely linked to how firms are perceived and valued. More importantly, it shows that ESG practices deliver tangible outcomes when integrated with governance, media strategy, and long-term planning.

Table 1.11. Comparative Studies on ESG Impact, Board Governance, and Strategic Corporate Outcomes Across Contexts*

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
(Burke, 2022)	CEO dismissal – analyzed as the outcome following negative media coverage of ESG-related issues	Negative ESG-related media coverage, with emphasis on coverage in high-profile media outlets	U.S. firms (sample size not specified in the abstract), with empirical data tracking media coverage and CEO turnover	- Negative ESG media coverage increases the likelihood of CEO dismissal. - Dismissals are more likely when the media source is prominent. - Firms with strong ESG oversight and active boards are more responsive in removing CEOs after ESG controversies.	A positive association: boards increasingly treat ESG issues as material, holding CEOs accountable for negative ESG exposure—even when indirect. This reflects a growing board-level integration of ESG concerns and external pressure from media and stakeholders.
(Huang et al., 2025)	Corporate resilience – firms' ability to withstand and recover from disruptions, likely measured through performance stability or post-shock recovery (exact metric not specified in the abstract)	Green board of directors – defined as board members with environmental expertise, sustainability-related experience, or affiliation with green organizations	Chinese A-share listed firms on the Shanghai and Shenzhen Stock Exchanges, observed from 2015 to 2023	- Green boards significantly enhance corporate resilience. - Mechanism analysis shows this occurs through: (1) Alleviating financing constraints (2) Promoting environmental protection values (3) Stimulating green innovation	A strong positive association: environmental expertise at the board level fosters resilience by embedding sustainability into firm strategy, reducing risks, and enabling innovation and resource access.
(Y. Zhang et al., 2025)	Total Factor Productivity (TFP) – used as a proxy for high-quality corporate development	ESG performance – assessed for its influence on TFP and firm-level development	Shanghai and Shenzhen A-share listed firms in China, with panel data covering the period 2009–2023	- ESG performance significantly improves TFP (1% significance level; $R^2 > 0.8$). - ESG enhances productivity through energy efficiency and resource allocation optimization. - Effects are stronger in non-state-owned firms,	A strong positive association: ESG performance is a key driver of long-term productivity. It strengthens firm adaptability and competitiveness, particularly in uncertain environments, aligning

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
				especially under high uncertainty.	sustainability with value creation.
(Ab Aziz et al., 2025)	Firm performance – assessed in relation to ESG controversy exposure	ESG controversies – negative events or practices related to environmental, social, or governance issues	1,414 observations from publicly listed firms in ASEAN-5 countries, covering the period 2017–2023	- ESG controversies have a significant negative effect on firm performance. - Board gender diversity and sustainability committees help mitigate these negative effects by reducing controversy intensity and enhancing corporate reputation.	A negative association, moderated positively: ESG controversies reduce performance, but governance mechanisms like gender-diverse boards and sustainability committees can buffer the impact and improve outcomes.
(W. Zhang et al., 2025)	Corporate sustainability performance – measured as a multidimensional indicator of a firm's long-term environmental, social, and strategic outcomes	ESG performance – assessed across three pillars: Environmental, Social, and Governance (with emphasis on the social (S) dimension as most influential)	Chinese A-share listed companies, covering the period 2010–2021	- ESG performance significantly improves corporate sustainability performance. - Social governance (S) is the most impactful ESG dimension. - Effects are stronger under stricter regulation, in firms with better internal control, and at non-mature life stages. - ESG also enhances access to credit and financial performance.	A strong positive association: ESG is a key enabler of sustainability, with amplified impact when institutional quality and firm conditions are supportive. Social governance leads the way among ESG dimensions.
(Zheng et al., 2022)	Corporate value – likely measured by market-based indicators such as Tobin's Q or similar firm valuation metrics	ESG performance – assessed as an overall score and by individual components: Environmental (E), Social (S), and Governance (G)	Chinese A-share non-financial listed enterprises, using panel data covering 2011–2020	- ESG performance significantly enhances corporate value. - Media and analyst attention mediate this relationship by increasing stakeholder pressure. - Environmental and social factors positively affect value; governance shows no significant effect.	A strong and conditional positive association: ESG boosts corporate value through stakeholder visibility mechanisms. The effect varies by industry impact and investor structure, underscoring the

Authors	Dependable variables	Independent variables	Sample	Main findings	Lend support to
				- ESG only improves value in non-heavily polluting firms and those with lower institutional ownership.	role of external perception and firm type in ESG's value contribution.
(Tan et al., 2025)	Corporate strategic responses, specifically: – Differentiation strategy – Cost leadership strategy – measured in terms of firms' alignment with these strategic postures in response to ESG-related media sentiment	Media ESG sentiment – quantified using machine learning and text analysis on over two million news articles from Baidu News	Chinese A-share listed companies, covering the period 2007–2022	- Positive media ESG sentiment significantly influences firms to align strategically to reduce ESG-related reputational risk. - This effect is strongest in the social and governance (S and G) dimensions. - Firms respond by adjusting toward both differentiation and cost leadership strategies.	A positive and strategic association: firms actively respond to external ESG pressures from media by realigning competitive strategies. Media sentiment emerges as a powerful external force influencing ESG engagement under the lens of RDT.

** - prepared by the author based on the following sources referenced in the table.*

The findings from these studies offer several clear implications for strategic CSR management in Chinese listed companies. First, ESG performance consistently supports corporate value, sustainability, and resilience—particularly when embedded in core governance processes. The research by W. Zhang et al. (2025) and Y. Zhang et al. (2025) confirms that ESG is not merely symbolic; it directly enhances sustainability performance and long-term productivity. In volatile environments, it becomes a mechanism for adaptation, especially when combined with strong internal controls and stakeholder engagement.

Second, board structure and composition matter. Huang et al. (2025) show that "green" directors—those with environmental expertise—enhance resilience, while Zheng et al. (2022) and Burke (2022) emphasize the role of boards in responding to public scrutiny and media-driven ESG narratives. These findings support the argument that CSR cannot be separated from corporate governance—it is shaped by who sits at the table, what values they hold, and how effectively they monitor and steer strategy.

Third, external perception and media sentiment play a growing role in driving ESG-related outcomes. Tan et al. (2025) demonstrate that firms are actively adjusting their strategies to align with media-driven ESG expectations. This aligns with the stakeholder-oriented view central to the dissertation and highlights the importance of transparency, communication, and reputation management in delivering CSR that resonates.

Finally, the mixed findings on ESG controversies (Ab Aziz et al., 2025) serve as a caution: ESG performance adds value, but ESG failures are costly. Strong governance structures—such as diverse boards and active sustainability committees—can buffer against controversy and help firms recover from reputational damage. This reinforces the need for proactive, integrated CSR governance that goes beyond disclosure to focus on real impact.

Together, these studies provide a roadmap for strategically managing CSR in Chinese listed firms. They highlight the importance of aligning ESG goals with governance quality, stakeholder expectations, and economic imperatives—precisely the nexus this dissertation seeks to explore.

Summary of Chapter 1

Chapter 1 lays the theoretical groundwork for understanding the evolving role of corporate social responsibility (CSR), environmental, social, and governance (ESG) performance, and corporate governance in the strategic management of Chinese listed companies. It begins by clarifying the conceptual foundations of CSR and ESG, tracing their distinct origins and highlighting their convergence in modern corporate strategy. CSR is presented as an ethical commitment rooted in stakeholder theory and voluntary responsibility, while ESG has emerged from investor-driven frameworks emphasizing measurable, risk-related disclosures.

The chapter emphasizes that, although CSR and ESG are often treated as interchangeable, they serve different purposes. CSR focuses on ethics, reputation, and corporate citizenship, while ESG translates those values into quantifiable metrics that influence investor behavior and financial performance. When integrated effectively, CSR and ESG reinforce one another—CSR provides legitimacy and intent, ESG brings structure and accountability. The chapter includes analytical comparisons and real-world examples, illustrating the operational and strategic integration of both concepts across environmental performance, social impact, governance practices, and stakeholder engagement.

The second part of the chapter explores CSR strategies in the Chinese context. Using a data-driven typology, firms are classified into CSR Leaders, Developers, and Minimalists. The findings show that firms with comprehensive CSR strategies outperform their peers in financial, operational, and reputational dimensions. CSR engagement in China is shaped by industry dynamics, ownership structures, and regulatory pressures, revealing significant heterogeneity across firms. Larger and more competitive firms tend to lead in CSR, while others maintain minimal compliance. This section confirms that CSR, when treated as a strategic function rather than a compliance tool, contributes meaningfully to long-term sustainability and market positioning.

The final section of Chapter 1 examines how internal corporate governance and managerial psychology influence ESG performance and strategic CSR outcomes. In particular, the role of CEO overconfidence and board characteristics is explored through recent empirical studies. The evidence shows that leadership traits, board structure, and governance mechanisms affect ESG effectiveness, either reinforcing or undermining sustainability efforts. Studies on Chinese A-share companies confirm that green expertise on boards, balanced CEO power, and clear committee structures enhance resilience and ESG alignment. However, excessive executive dominance or weak stakeholder oversight can lead to symbolic compliance and reputational risks.

Taken together, this chapter builds a strong theoretical and empirical foundation for the dissertation. It shows that CSR and ESG must be managed strategically and not treated as isolated responsibilities. Effective integration depends on robust governance, credible leadership, and alignment with stakeholder expectations. In Chinese listed companies, these factors are especially critical, given the fast-changing regulatory landscape and increasing global scrutiny. This chapter sets the stage for the empirical investigation to follow, which explores how corporate governance, reporting practices, and economic performance are interlinked in China’s CSR landscape.

CHAPTER 2. STRATEGIC DRIVERS OF CSR IN CHINESE LISTED COMPANIES: GOVERNANCE STRUCTURES, ESG DISCLOSURE, AND FINANCIAL OUTCOMES

2.1. Strategic Board Design and Its Influence on CSR Reporting and ESG Disclosure

This subsection examines how corporate governance structures—particularly board composition and oversight mechanisms—shape the quality of sustainability reporting in Chinese listed firms. The analysis focuses on five board-related factors: size, independence, CEO duality, meeting frequency, and the number of specialized board committees. These variables are central to understanding whether internal governance systems support or hinder transparency in ESG-related disclosures.

The rationale for this analysis stems from the growing expectation that boards should not only safeguard shareholder value but also promote responsible corporate conduct. In China's evolving regulatory and market environment, firms face increasing pressure to move beyond symbolic CSR statements and demonstrate measurable commitments to sustainability. This section tests whether governance structures influence the depth and credibility of ESG reporting, thus serving as a strategic lever in the broader management of corporate social responsibility.

Building on the theoretical foundations and empirical gaps discussed in Chapter 1.3, this study formulates the following hypotheses to guide the analysis:

- Hypothesis 1: Board size is positively associated with sustainability reporting.
- Hypothesis 2: Board independence is positively associated with sustainability reporting.
- Hypothesis 3: CEO duality is negatively related to sustainability reporting.

- Hypothesis 4: Board meeting frequency is negatively associated with sustainability reporting.
- Hypothesis 5: The number of committees is positively related to sustainability reporting.

This study uses data from Chinese A-share listed companies over the period 2013 to 2023, covering firms on both the Shanghai and Shenzhen Stock Exchanges. Information on sustainability report disclosures, board characteristics, and control variables was drawn from the CSMAR database, while ESG scores were sourced from Huazheng Index Co., Ltd.

To ensure data integrity, original annual reports were reviewed to correct missing or erroneous entries. Continuous variables were winsorized at the 1% level to reduce the influence of outliers.

The sample was refined through a three-step process: (1) firms with abnormal listing status, including ST and delisted companies, were excluded; (2) financial firms were removed; and (3) companies with incomplete data were omitted. The final balanced panel dataset comprises 2,017 firms and 22,187 firm-year observations.

All data preparation and analysis were conducted using Stata 18 and Excel 2021.

Variable Definition. This study examines two key dependent variables: the disclosure of sustainability reports (CSRI) and the ESG score (ESG_Score), the latter used for robustness checks. CSRI is measured as the natural logarithm of the sum of ten disclosure items reported in the CSMAR database. A higher CSRI value indicates more comprehensive disclosure of sustainability information. The ESG score captures the firm's performance across the environmental, social, and governance dimensions; a higher score signals stronger overall ESG performance (see Table 1).

The independent variables reflect five core aspects of board characteristics. Board size (BoardSize) refers to the total number of board members in a given fiscal year. While a larger board may bring more diverse perspectives, it can also reduce decision-making efficiency. Board independence (BDIndep) is calculated as the proportion of independent directors to total board members, reflecting the strength of external oversight; a higher proportion typically enhances governance quality. CEO duality (CEODuality) is a dummy variable indicating whether the chairman also serves as CEO, capturing potential governance effects of leadership concentration. Board meeting frequency (BDMeetings) is measured as the natural logarithm of the number of board meetings held annually. Frequent meetings may signal active problem-solving but can also suggest complex or contentious decision-making processes. Number of board committees (BDCommittees) captures the count of formal committees, such as audit or nomination committees, reflecting the depth and specialization of the board's governance structure (see Table 1).

Control variables include return on assets (ROA), an indicator of corporate profitability and resource efficiency; leverage (LEV), calculated as the debt-to-equity ratio, which reflects financial risk; firm age (AGE), expressed as the natural logarithm of the years since founding, indicating governance maturity; firm size (SIZE), measured as the natural logarithm of total assets, representing the scale of operations and public exposure; and Big4 audit status (Big4), a dummy variable identifying whether the firm is audited by one of the Big Four accounting firms, widely associated with higher audit quality and financial reliability (see Table 2.1).

Table 2.1. Variable definitions and measurements

Variable	Abbreviation	Variable Definition
Dependent Variable: Sustainability Report		
Sustainability Report Disclosure	CSRI	Disclosure of sustainable development reports, logarithm of the sum of 10 disclosure items in the Guotai An database

Variable	Abbreviation	Variable Definition
ESG Scores	ESG_Score	Huazheng ESG Score
Independent Variable: Board characteristics		
Board size	BoardSize	Total number of board members
Ratio of independent directors	BDIndep	Number of independent directors/total number of board members
CEO duality	CEODuality	Chairman concurrently serves as CEO = 1; Other=0
Board meeting frequency	BDMeetings	The natural logarithm of the number of board meetings held in the year
Number of committees	BDCommittees	Number of committees established in the board of directors
Control Variables		
Return on Assets	ROA	The ratio of net profit to total assets
Leverage Ratio	LEV	Total liabilities divided by total assets
Firm Age	AGE	The natural logarithm of the value obtained by subtracting the establishment year of the firm from the reporting period of the firm
Firm Size	SIZE	The natural logarithm of the firm's total assets
Big4 Audit	Big4	Audited by the Big Four audit firms = 1; Other=0

Regression Model. To test these hypotheses, we estimate the following two models using balanced panel regression models. Model 1 tests the impact of board characteristics on sustainability reporting disclosure, and Model 2 is used for robustness tests.

$$CSRI_{it} = \alpha_0 + \alpha_1 BoardSize_{it} + \alpha_2 \mathrm{BDIndep}_{it} + \alpha_3 \mathrm{CEODuality}_{it} + \alpha_4 \mathrm{BDMeetings}_{it} + \alpha_5 \mathrm{BDCommittees}_{it} + \alpha_6 \mathrm{ROA}_{it} + \alpha_7 \mathrm{Leverage}_{it} + \alpha_8 \mathrm{Age}_{it} + \alpha_9 \mathrm{Size}_{it} + \alpha_{10} \mathrm{Big4}_{it} + \varepsilon_{it} \text{(Eq 2.1)}$$

$ESG\_Score_{it} = \alpha_0 + \alpha_1 BoardSize_{it} + \alpha_2 \text{BDIndep}_{it} + \alpha_3 \text{CEODuality}_{it} + \alpha_4 \text{BDMeetings}_{it} + \alpha_5 \text{BDCommittees}_{it} + \alpha_6 \text{ROA}_{it} + \alpha_7 \text{Leverage}_{it} + \alpha_8 \text{Age}_{it} + \alpha_9 \text{Size}_{it} + \alpha_{10} \text{Big4}_{it} + \varepsilon_{it}$(Eq 2.2)

In both models, *i* is the *i* th firm. *t* is the *t* th year. $CSRI_{it}$is the sustainability report publication of the *i* th firm in year *t* . BDIndep_{it}denotes Independence of the board of directors. BDIndep_{it} denotes Independence of the board of directors. CEODuality_{it}denotes Chairman also serves as CEO. denotes BDMeetings_{it} Frequency of board meetings. BDCommittees_{it}denotes Number of committees established. denotes Return ROA_{it}on assets. denotes Leverage_{it}Debt-to-asset ratio. Age_{it}denotes Number of years the company has been listed. Size_{it}denotes Size of the company's assets. Big4_{it}denotes Whether it is audited by one of the Big Four accounting firms. $\alpha_0$is the constant term. $\alpha_i$is the coefficient of independent variables, which can judge the positive and negative direction of the influence of the variable. ε_{it}represents the error term.

Table 2.2 presents the descriptive statistics of all variables analyzed in this study. It reports the sample size (Obs), minimum (Min), maximum (Max), mean (Mean), median (Median), and standard deviation (SD). The average value of sustainability report disclosure (CSRI) is 1.722, suggesting that while most companies disclose some or all sustainability-related information, a notable share still provides no such disclosure. The average board size (BoardSize) is 8.588, indicating that Chinese listed companies typically have about nine directors. The mean proportion of independent directors (BDIndep) stands at 0.377, reflecting a relatively low but internationally comparable level of board independence. The average CEO duality (CEODuality) value is 0.232, showing that approximately 23% of firms combine the chairman and CEO roles.

In addition, the control variables reveal considerable variation: return on assets (ROA) points to differences in profitability; leverage (Leverage) indicates varying financial risk; firm age (Age) reflects differences in market experience; firm size (Size) captures asset scale disparities; and Big Four audit status (Big4) highlights differences in audit quality. These characteristics together provide a solid basis for the subsequent regression analysis (see Table 2.2).

Table 2.2 Descriptive statistics

VarName	Obs	Min	Max	Mean	Median	SD
CSRI	19921	0.000	2.303	1.722	1.946	0.550
BoardSize	22187	3.000	18.000	8.588	9.000	1.695
BDIndep	22187	0.167	0.800	0.377	0.364	0.058
CEODuality	21414	0.000	1.000	0.232	0.000	0.422
BDMeetings	21488	0.693	4.060	2.213	2.197	0.394
BDCommittees	22187	0.000	8.000	3.961	4.000	0.481
ROA	22187	-30.688	108.366	0.029	0.030	0.793
Leverage	22187	-0.195	178.345	0.461	0.444	1.231
Age	22187	0.000	3.497	2.492	2.639	0.642
Size	22187	14.942	28.697	22.536	22.376	1.380
Big4	21327	0.000	1.000	0.068	0.000	0.252

Source : Authors' calculations.

4.2 Correlation Test. Table 2.3 shows the results of the correlation analysis among the variables.

Table 2,3. Pearson Correlation Test

	CSRI	Board Size	BDIndep	CEODuality	BDMeetings	BDCommittees	ROA	Leverage	Age	Size	Big4
CSRI	1										
BoardSize	0.041***	1									
BDIndep	0.015**	-0.489***	1								
CEODuality	0.005	-0.192***	0.119***	1							
BDMeetings	0.016**	-0.005	0.055***	-0.002	1						
BDCommittees	0.042***	0.046***	0.028***	-0.032***	0.058***	1					

	CSRI	Board Size	BDIndep	CEODuality	BDMeetings	BDCommittees	ROA	Leverage	Age	Size	Big4
ROA	0.031***	0.001	0.002	0.013**	-0.014**	-0.002	1				
Leverage	-0.022***	0.017**	0.002	-0.021***	0.047***	0.015**	-0.277***	1			
Age	-0.025***	0.114***	-0.015**	-0.183***	0.035***	0.058***	-0.004	0.057***	1		
Size	0.191***	0.254***	0.033***	-0.145***	0.239***	0.116***	-0.008	0.036***	0.304***	1	
Big4	0.079***	0.100***	0.053***	-0.061***	0.043***	-0.000	0.003	0.016**	0.090***	0.384***	1

*Source : Authors' calculations. Note:*** p<0.01， ** p<0.05， * p<0.1。*

The correlation analysis provides an initial understanding of the relationships among the variables and their influence on sustainability reporting. The results show that the correlation coefficients are consistently low, with none exceeding the 0.80 threshold, suggesting minimal multicollinearity concerns and limited interference with the regression outcomes. Board size shows a slight positive correlation with CSRI, while the proportion of independent directors also displays a weak positive link, indicating that greater board independence may enhance the quality of sustainability disclosures. The correlation between CEO duality and CSRI is near zero, suggesting that combining the roles of chairman and CEO has little effect on sustainability reporting. Board meeting frequency shows a modest positive association with CSRI, and firms with a larger number of board committees tend to report sustainability information more comprehensively. Among the control variables, firm size shows a strong positive correlation with sustainability reporting, while leverage is slightly negatively correlated.

The regression analysis (Table 2.4) investigates the influence of board characteristics on firms' sustainability reporting. The results indicate that board size has no significant relationship with sustainability disclosure, providing no support for Hypothesis H1. In contrast, the proportion of independent directors shows a significant positive association with CSRI, supporting Hypothesis H2 and suggesting that greater board independence improves the quality of sustainability reporting.

Table 2.4. Regression Results

	(1) CSRI	(2) CSRI	(3) CSRI	(4) CSRI	(5) CSRI	(6) CSRI	(7) CSRI
BoardSize		0.000					0.003
		(0.10)					(0.80)
BDIndep			0.154*				0.192**
			(1.96)				(2.00)
CEODuality				-0.016			-0.015
				(-1.50)			(-1.46)
BDMeetings					-0.026**		-0.028***
					(-2.55)		(-2.69)
BDCommittees						0.035***	0.036***
						(2.96)	(2.98)
ROA	-0.014	-0.014	-0.014	-0.014	-0.014	-0.014	-0.014
	(-1.15)	(-1.15)	(-1.15)	(-1.14)	(-1.18)	(-1.14)	(-1.15)
Leverage	-0.007**	-0.007**	-0.007**	-0.007**	-0.007**	-0.007**	-0.007**
	(-2.37)	(-2.37)	(-2.37)	(-2.37)	(-2.33)	(-2.37)	(-2.32)
Age	0.116***	0.116***	0.115***	0.112***	0.113***	0.116***	0.108***
	(10.93)	(10.86)	(10.81)	(10.37)	(10.59)	(10.88)	(9.89)
Size	0.062***	0.062***	0.062***	0.062***	0.065***	0.061***	0.063***
	(8.63)	(8.58)	(8.66)	(8.37)	(8.91)	(8.49)	(8.48)
Big4	0.060**	0.060**	0.061**	0.061**	0.059**	0.061**	0.061**
	(2.20)	(2.19)	(2.22)	(2.17)	(2.16)	(2.24)	(2.16)
_cons	0.014	0.013	-0.046	0.046	0.016	-0.102	-0.168
	(0.10)	(0.08)	(-0.30)	(0.30)	(0.11)	(-0.66)	(-1.01)
N	19080	19080	19080	18405	19064	19080	18389

Note: All variables are defined as shown in Table 1. Robust t statistics are in brackets. *** p<0.01, ** p<0.05, * p<0.1.

The combined role of chairman and CEO, measured by CEO duality, does not display a significant relationship with CSRI, offering no strong support for Hypothesis H3. Interestingly, the frequency of board meetings is negatively associated with sustainability report disclosure, aligning with Hypothesis H4 and implying that more frequent meetings may reflect governance inefficiencies or internal complexity that reduce disclosure levels.

Furthermore, firms that establish a higher number of board committees demonstrate significantly greater levels of sustainability reporting, thus validating

Hypothesis H5. The analysis also reveals meaningful effects from control variables: firm age, size, and Big Four audit status exhibit consistent positive associations with sustainability reporting, while leverage shows a negative relationship. Return on assets (ROA), however, remains statistically insignificant in this context.

These findings, presented in Table 4, enhance the explanatory power of the model by confirming that specific governance features, particularly board independence and committee structure, play critical roles in shaping the depth and quality of corporate sustainability disclosure.

To ensure the robustness of the study's conclusions, we conducted additional tests using ESG scores as an alternative dependent variable (Table 2.5). The results show that board size is significantly negatively associated with ESG scores in simple models, but this relationship disappears when multivariate controls are applied. This reinforces the earlier finding that board size has no meaningful effect on sustainability reporting.

Table 2.5. Robustness Test

	(1) ESG_Score	**(2) ESG_Score**	**(3) ESG_Score**	**(4) ESG_Score**	**(5) ESG_Score**	**(6) ESG_Score**	**(7) ESG_Score**
BoardSize		-0.022***					-0.000
		(-3.41)					(-0.05)
BDIndep			1.004***				1.084***
			(6.49)				(5.76)
CEODuality				-0.002			-0.009
				(-0.10)			(-0.46)
BDMeetings					-0.108***		-0.109***
					(-5.38)		(-5.33)
BDCommittees						0.058**	0.054**
						(2.47)	(2.23)
LONG	-0.006	-0.006	-0.006	-0.006	-0.006	-0.006	-0.006
	(-0.81)	(-0.78)	(-0.79)	(-0.82)	(-0.77)	(-0.82)	(-0.77)
Leverage	-0.009*	-0.009*	-0.009*	-0.009*	-0.009*	-0.010*	-0.009*
	(-1.92)	(-1.92)	(-1.91)	(-1.89)	(-1.76)	(-1.93)	(-1.72)
Age	-0.155***	-0.163***	-0.162***	-0.153***	-0.164***	-0.155***	-0.169***
	(-8.23)	(-8.60)	(-8.60)	(-8.00)	(-8.66)	(-8.25)	(-8.76)
Size	0.211***	0.215***	0.212***	0.207***	0.222***	0.209***	0.219***
	(15.61)	(15.84)	(15.73)	(15.04)	(16.27)	(15.49)	(15.70)
Big4	0.204***	0.212***	0.209***	0.209***	0.200***	0.207***	0.211***
	(3.72)	(3.85)	(3.81)	(3.71)	(3.64)	(3.77)	(3.76)

	(1) ESG_Score	(2) ESG_Score	(3) ESG_Score	(4) ESG_Score	(5) ESG_Score	(6) ESG_Score	(7) ESG_Score
_cons	-0.302	-0.182	-0.697**	-0.211	-0.301	-0.499*	-0.826***
	(-1.07)	(-0.64)	(-2.43)	(-0.74)	(-1.07)	(-1.71)	(-2.64)
N	21232	21232	21232	20501	21215	21232	20484

Note: All variables are defined as shown in Table 1. Robust t statistics are in brackets. *** p<0.01, ** p<0.05, * p<0.1.

We find a strong and significant positive relationship between the proportion of independent directors and ESG scores, further supporting Hypothesis 2. In contrast, the relationship between CEO duality and ESG scores remains negative but statistically insignificant, offering no support for Hypothesis 3.

Interestingly, the frequency of board meetings shows a significant negative association with ESG scores, confirming Hypothesis 4 and suggesting that more frequent meetings may reflect governance challenges rather than effective oversight. Moreover, companies with a higher number of board committees demonstrate a significant positive relationship with ESG scores, validating Hypothesis 5 and indicating that specialized committee structures contribute to stronger sustainability performance.

Control variables such as return on assets, leverage, age, firm size, and Big Four audit affiliation also display varying levels of significance and direction of effect on ESG outcomes, further strengthening the explanatory power of the model (Table 2.5).

Thus, this study provides valuable insights into how board characteristics shape the sustainability reporting practices of Chinese listed firms. The results offer a mixed yet nuanced picture, enriching our understanding of the governance–sustainability relationship.

First, the finding that board size shows no significant relationship with sustainability disclosure challenges some earlier assumptions in the literature. While larger boards are often expected to bring diverse expertise and improve oversight, our results suggest that size alone does not guarantee better ESG outcomes. This aligns with prior work emphasizing that overly large boards can introduce inefficiency and weaken accountability, limiting their capacity to drive meaningful sustainability practices.

Second, the strong and significant positive association between board independence and sustainability reporting confirms the importance of independent oversight. Firms with a higher proportion of independent directors tend to disclose more comprehensive sustainability information, supporting the idea that independent voices help hold management accountable on ESG matters. This result echoes earlier research that positions board independence as a key pillar of effective governance (Anyigbah et al., 2023; Azzam, 2024).

Third, the lack of a significant relationship between CEO duality and sustainability disclosure points to the complexity of this governance feature. While agency theory warns that combining the roles of CEO and chair concentrates power and weakens board independence, stewardship theory suggests that unified leadership can strengthen strategic alignment. Our findings suggest that, in the Chinese context, CEO duality neither significantly enhances nor harms ESG reporting. This result adds to the growing body of evidence highlighting the contextual nature of CEO duality's impact (Kazim et al., 2024; Voinea et al., 2022).

Fourth, the significant negative association between the frequency of board meetings and sustainability disclosure presents an intriguing insight. Rather than signaling active engagement, more frequent meetings may reflect underlying governance challenges or crisis management, reducing the board's ability to focus on long-term ESG goals. This finding reinforces prior studies that caution against interpreting high meeting frequency as a universal marker of good governance (Bayong et al., 2024; Zhu et al., 2024).

Finally, the positive and significant effect of the number of board committees on sustainability reporting underscores the value of specialized governance structures. Firms with more committees appear better positioned to address the complex, multi-dimensional demands of ESG disclosure. This result aligns with studies showing that committees focused on audit, risk, or sustainability can strengthen board capacity and enhance the quality of non-financial reporting (Arif et al., 2021; Buch Thu, 2024).

Importantly, the robustness tests using ESG scores as an alternative outcome variable confirm the stability of these findings. The consistency between the main models and robustness checks strengthens confidence in the results and signals that governance factors matter not only for formal disclosure practices but also for broader ESG performance (Table 2.6).

Table 2.6. Summary of hypothesis test results

Hypotheses	Description	Exp. Sign	Findings	Conclusion
H1	Board size is positively associated with sustainability reporting.	+	Not significant +	Not supported
H2	Board independence is positively associated with sustainability reporting.	+	Significant +	Supported
H3	CEODuality is negatively associated with sustainability reporting.	-	Not significant -	Not supported
H4	The frequency of board meetings is negatively associated with sustainability reporting.	-	-	Supported
H5	The number of committees is positively correlated with sustainability reporting.	+	Significant +	Supported

Overall, this study contributes to the literature by offering evidence from an emerging market context, addressing gaps identified in prior research (Jiang et al., 2023; Madhura et al., 2024). While board independence and committee structures emerge as central drivers of sustainability disclosure, the roles of board size, CEO duality, and meeting frequency appear more complex and context-dependent. For scholars, these findings highlight the need for nuanced, context-aware theorizing about governance effects. For practitioners, they point to the governance features most likely to strengthen ESG practices, offering guidance for firms and regulators seeking to align with international sustainability standards.

The aim of this study was to examine how board characteristics influence sustainability reporting among Chinese listed firms. Using a large panel dataset covering A-share companies from 2013 to 2023, we analyzed the effects of board size, board independence, CEO duality, board meeting frequency, and the number of board committees on firms' sustainability disclosures. To ensure the robustness of the findings, we conducted additional tests using ESG scores as an alternative dependent variable.

The results offer several key insights. Board independence and the number of committees showed a significant positive relationship with sustainability reporting, highlighting the importance of strong governance structures and specialized oversight. In contrast, board size and CEO duality did not show significant effects, suggesting that these commonly studied features may have more limited or context-dependent influence on ESG practices. Interestingly, we found that frequent board meetings were negatively associated with sustainability disclosure, indicating that more meetings do not necessarily translate into better governance or stronger ESG outcomes.

While these findings contribute valuable evidence to the governance–sustainability literature, they also come with limitations. This study focuses solely on Chinese listed firms, and the results may not generalize to firms in other institutional or cultural settings. In addition, while the analysis captures key board characteristics, it does not account for informal governance dynamics or the quality of board interactions, which may also shape ESG outcomes.

Future research could extend this work by exploring how board member expertise, diversity, or social networks influence sustainability performance. Comparative studies across different countries or regions could also shed light on how institutional contexts shape the governance–sustainability link. Finally, qualitative research could help uncover the mechanisms behind the observed quantitative patterns, offering a richer understanding of how boards drive ESG practices in practice.

To deepen the analysis, the next section shifts focus from sustainability reporting to broader ESG performance. While the initial findings highlight how board structures influence disclosure practices, the following model incorporates ownership dynamics and institutional context to assess their combined impact on firms' overall ESG outcomes. This expanded approach allows for a more comprehensive understanding of how internal governance factors drive sustainable behavior in Chinese listed companies.

Hypotheses. Based on the literature and theoretical reasoning, this study proposes the following hypotheses:

- H1: Board size is positively correlated with corporate ESG performance.
- H2: Board independence is positively correlated with corporate ESG performance.
- H3: CEO duality is negatively correlated with corporate ESG performance.
- H4: The frequency of board meetings is negatively correlated with corporate ESG performance.
- H5: The largest shareholder's shareholding ratio is negatively correlated with corporate ESG performance.

- H6: Management shareholding ratio is positively correlated with corporate ESG performance.
- H7: Chairman's shareholding ratio is positively correlated with corporate ESG performance.
- H8: State-owned enterprise status is positively correlated with corporate ESG performance.

Data Source and Sample Selection. The dataset for this study consists of A-share listed companies in China, covering both the Shanghai and Shenzhen Stock Exchanges over the period 2013 to 2023. ESG performance data were sourced from China Securities Index Co., Ltd., which provides standardized ESG scores that reflect how well companies integrate environmental, social, and governance considerations into their operations. Corporate governance, financial data, and other firm-specific information were retrieved from the CSMAR database and cross-checked with official annual reports.

To ensure reliability, several filtering steps were applied. First, financial firms were excluded due to their distinct regulatory environment. Second, firms with abnormal operational status—such as those flagged ST, *ST, or already delisted—were removed. Third, any samples with missing critical data were excluded. Finally, winsorization was applied to continuous variables to reduce the influence of extreme outliers. After processing, the final sample consisted of 2,017 unique firms, yielding 22,187 firm-year observations. All statistical analyses were conducted using Stata 18, supported by data handling in Excel 2021.

Variable Overview. This study explores the relationship between corporate governance structures and ESG performance using a clear framework of variables.

- Dependent variable: The primary outcome is ESG performance, reflecting how effectively each firm addresses sustainability across environmental, social, and governance dimensions. The ESG score is scaled from 0 to 1, with higher values indicating stronger sustainability practices.

- Independent variables: Governance characteristics are captured through several key metrics. Board size reflects the total number of directors, providing insight into board structure. Board independence measures the proportion of independent directors, serving as a proxy for board impartiality and oversight strength. CEO duality flags whether the CEO also chairs the board, signaling potential power concentration. Board meeting frequency indicates how often the board convenes, offering a view into board engagement levels.

Ownership structure is another critical focus. The shareholding ratio of the largest shareholder gauges ownership concentration, while management shareholding reflects the alignment of executives' financial interests with corporate performance. The chairman's personal shareholding is also tracked as a distinct governance indicator. Finally, a state-ownership dummy variable identifies whether a firm is state-controlled, recognizing the unique pressures and incentives faced by SOEs.

- Control variables: To isolate governance effects, several firm-level controls are included. Profitability is measured through return on assets (ROA), while return on equity (ROE) is used in robustness checks. Firm size is proxied by the natural logarithm of total assets, and leverage reflects the ratio of total liabilities to total assets. Year and industry dummies control for time trends and sector-specific effects to mitigate confounding influences.

This structure allows for a comprehensive analysis of how board characteristics and ownership dynamics influence ESG outcomes, while ensuring the results are robust to firm-specific and external factors (see Table 2.7 for details).

Table 2.7. Variable definitions and measurements

Variable	Abbreviation	Variable Definition
Dependent Variable: ESG Performance		
ESG Scores	ESG	Huazheng ESG Score
Independent Variable: Board characteristics and ownership structure		
Board size	BoardSize	Total number of board members
Ratio of independent directors	BDIndep	Number of independent directors/total number of board members
Two jobs in one	CEODuality	Chairman and CEO=1 , Other=0
Board frequency	BDMeetings	The natural logarithm of the number of board meetings held in the year
Shareholding ratio of the largest shareholder	Top1	Shareholding ratio of the largest shareholder
Management shareholding ratio	ManagementShare	Total shareholding ratio of the senior management team (including chairman, general manager, deputy general manager, etc.)
Chairman's shareholding ratio	ChairmanShare	The proportion of shares held by the chairman personally
State-owned enterprise dummy variable	SOE	If the company is a state-controlled enterprise = 1, Other = 0
Control Variables		
Return on Assets	ROA	The ratio of net profit to total assets
Return on Equity	ROE	Net Profit to Shareholders' Equity Ratio
Firm Size	Size	The natural logarithm of the firm's total assets
Leverage Ratio	**Leverage**	Total liabilities divided by total assets
years	Year	Year of data
industry	Industry	The industry categories are assigned numerical values according to the 2012 standards of the China Securities Regulatory Commission.

Regression Model. To evaluate the proposed hypotheses, this study employs a balanced panel regression approach. Two models are developed to ensure robustness and clarity of results. Model 1 examines the direct effects of board characteristics and ownership structure on ESG performance. Model 2 replicates the analysis with alternative specifications to test the consistency of findings. Both models are designed to control for firm-specific factors, time effects, and industry variations, providing a comprehensive assessment of governance impacts on corporate sustainability.

$ESG_{it} = \alpha_0 + \alpha_1 BoardSize_{it} + \alpha_2 \mathrm{BDIndep}_{it} + \alpha_3 \mathrm{CEODuality}_{it} + \alpha_4 \mathrm{BDMeetings}_{it} + \alpha_5 \mathrm{Top1}_{it} + \alpha_6 \mathrm{ManagementShare}_{it} + \alpha_7 \mathrm{ChairmanShare}_{it} + \alpha_8 \mathrm{SOE}_{it} + \alpha_8 \mathrm{ROA}_{it} + \alpha_9 \mathrm{Size}_{it} + \alpha_{10} \mathrm{Leverage}_{it} + \alpha_{11} \mathrm{Year}_{it} + \alpha_{12} \mathrm{Industry}_{it} + \varepsilon_{it}$(**Eq1**)

$ESG_{it} = \alpha_0 + \alpha_1 BoardSize_{it} + \alpha_2 \mathrm{BDIndep}_{it} + \alpha_3 \mathrm{CEODuality}_{it} + \alpha_4 \mathrm{BDMeetings}_{it} + \alpha_5 \mathrm{Top1}_{it} + \alpha_6 \mathrm{ManagementShare}_{it} + \alpha_7 \mathrm{ChairmanShare}_{it} + \alpha_8 \mathrm{SOE}_{it} + \alpha_8 \mathrm{ROE}_{it} + \alpha_9 \mathrm{Size}_{it} + \alpha_{10} \mathrm{Leverage}_{it} + \alpha_{11} \mathrm{Year}_{it} + \alpha_{12} \mathrm{Industry}_{it} + \varepsilon_{it}$(**Eq 2**)

In both models, *i* is the *i* th firm. *t* is the *t* th year. ESG_{it}denotes the ESG performance score of the *i* th firm in year *t* . $\mathrm{BDIndep}_{it}$denotes Independence of the board of directors. $\mathrm{CEODuality}_{it}$denotes Chairman also serves as CEO. $\mathrm{BDMeetings}_{it}$denotes Frequency of board meetings. $\mathrm{Top1}_{it}$denotes Shareholding ratio of the largest shareholder, representing equity concentration. ROA_{it}denotes Return on assets . denotes Return on net assets ROE_{it}. Size_{it}denotes Asset size of the company. $\mathrm{Leverage}_{it}$denotes Debt-to-asset ratio. Year_{it}denotes Year of data. $\mathrm{Industry}_{it}$denotes Industry category of $\alpha_0$the company . is the constant term. $\alpha_i$is the coefficient of independent variables, which can judge the positive and negative direction of the influence of the variable. ε_{it}represents the error term.

Descriptive Analysis. Table 2.8. provides descriptive statistics for the key variables used in the study. It reports the mean, median, minimum, maximum, and standard deviation for each variable.

Table 2.8. Descriptive statistics

VarName	Obs	Min	Max	Mean	Median	SD
ESG	22088	0.416	0.929	0.728	0.731	0.055
BoardSize	22187	3.000	18.000	8.588	9.000	1.695
BDIndep	22187	0.167	0.800	0.377	0.364	0.058
CEODuality	21414	0.000	1.000	0.232	0.000	0.422
BDMeetings	21488	0.693	4.060	2.213	2.197	0.394
Top1	22187	0.003	0.900	0.329	0.303	0.150
ManagementShare	22187	0.000	0.791	0.060	0.000	0.120
ChairmanShare	20958	0.000	0.707	0.057	0.000	0.113
SOE	22018	0.000	1.000	0.453	0.000	0.498
ROA	22187	-0.292	0.194	0.027	0.030	0.066
ROE	22115	-1.017	0.341	0.037	0.058	0.168
Size	22187	14.942	28.697	22.536	22.376	1.380
Leverage	22187	0.063	0.933	0.450	0.444	0.206
Year	22187	2013.000	2023.000	2018.000	2018.000	3.162
Industry	22187	1.000	19.000	4.791	3.000	3.501

Source: Authors' calculations.

The average ESG score is 0.728, with a median of 0.731. This suggests that ESG performance is generally strong across the sample and shows a relatively narrow distribution. Board size has a mean of 8.6 members and a median of 9, indicating that most boards are moderately sized. The average proportion of independent directors is 0.377, with a median of 0.364, which aligns with Chinese regulations requiring at least one-third of board members to be independent. Regarding CEO duality, the mean is 0.232, showing that about 23% of firms combine the roles of CEO and board chair. The mean frequency of board meetings is 2.21, confirming that most firms hold at least two board meetings annually.

For ownership structure, the largest shareholder's average stake is 32.9%, with a standard deviation of 15% and a maximum of 90%, indicating that while many firms have moderate concentration, a few exhibit highly concentrated ownership. The mean shareholding of management is 6%, but the median is 0, showing that in most firms, executives hold no shares. The same pattern is seen for chairman shareholding, with a mean of 5.7% and a median of 0. This indicates that only a minority of firms have significant insider ownership at the top levels. State-owned enterprises make up 45.3% of the sample, suggesting a balanced representation of SOEs and private firms.

Looking at control variables, the mean ROA is 2.7% with a median of 3%. While most firms report positive profitability, some show losses, as reflected by a minimum of -29.2%. ROE averages 3.7%, with a wider spread (standard deviation of 16.8%), highlighting variability in returns to shareholders. The average firm size, measured as the natural logarithm of total assets, is 22.54, with a standard deviation of 1.38, indicating a fairly consistent size distribution across firms. Lastly, the average leverage ratio is 45%, pointing to a moderate debt load relative to assets.

These statistics paint a clear picture of the sample's governance and financial characteristics, providing a solid foundation for the subsequent regression analysis.

Correlation Analysis Interpretation. Table 2.9 presents the Pearson correlation coefficients for the main variables, offering an initial look at how board characteristics, ownership structure, and control variables relate to corporate ESG performance. Most correlations are statistically significant, which confirms that meaningful relationships exist among the variables. However, the correlation values are generally low, suggesting that multicollinearity is not a major concern in this dataset. Despite the absence of strong correlations, it remains important to monitor potential collinearity between specific variable pairs to maintain the robustness of the regression analysis.

Table 2.9. Pearson Correlation Test

	ESG	BoardSize	BDIndep	CEODuality	BDMeetings	Top1	ManagementShare	ChairmanShare	SOE	ROA	Size	Leverage	Year	Industry
ESG	1													
BoardSize	0.057***	1												
BDIndep	0.070***	-0.489***	1											
CEODuality	-0.045***	-0.192***	0.119***	1										
BDMeetings	0.003	-0.005	0.055***	-0.002	1									
Top1	0.115***	0.081***	0.031***	-0.116***	-0.032***	1								
ManagementShare	0.035***	-0.163***	0.045***	0.210***	-0.010	-0.125***	1							
ChairmanShare	0.028***	-0.193***	0.074***	0.250***	-0.012*	-0.064***	0.818***	1						
SOE	0.112***	0.259***	-0.019***	-0.285***	0.009	0.294***	-0.427***	-0.430***	1					
ROA	0.226***	0.063***	-0.033***	-0.006	-0.066***	0.145***	0.083***	0.069***	-0.022***	1				
Size	0.314***	0.254***	0.033***	-0.145***	0.239***	0.267***	-0.267***	-0.232***	0.322***	0.109***	1			
Leverage	-0.085***	0.120***	0.012*	-0.098***	0.251***	0.082***	-0.270***	-0.244***	0.253***	-0.325***	0.416***	1		
Year	0.037***	-0.056***	0.050***	-0.009	0.001	-0.121***	-0.175***	-0.124***	0.031***	-0.088***	0.214***	0.058***	1	
Industry	0.064***	0.011	0.020***	-0.030***	0.114***	0.000	-0.068***	-0.069***	0.066***	-0.060***	0.045***	0.072***	0.034***	1

Note:*** p<0.01, **p<0.05, *p<0.1.

Interpretation of Regression Results. Table 2.10 presents the results of the multivariate regression analysis, highlighting the influence of governance and ownership variables on corporate ESG performance. All models include controls for profitability (ROA), firm size, leverage, and fixed effects for year and industry. This approach ensures the robustness and reliability of the estimates. Each column shows how the key explanatory variables affect ESG performance as they are gradually introduced into the models.

Table 2.10. Regression Results

	(1) ESG	(2) ESG	(3) ESG	(4) ESG
BoardSize		0.000		0.000
		(1.20)		(0.11)
BDIndep		0.055***		0.049***
		(6.03)		(5.21)
CEODuality		-0.000		0.000
		(-0.04)		(0.03)
BDMeetings		-0.005***		-0.006***
		(-5.50)		(-5.50)
Top1			0.004	0.007
			(0.85)	(1.42)
ManagementShare			0.014**	0.015**
			(2.37)	(2.37)
ChairmanShare			0.030***	0.027***
			(4.20)	(3.67)
SOE			0.005***	0.006***
			(2.65)	(2.99)
ROA	0.024***	0.029***	0.026***	0.029***
	(4.49)	(5.27)	(4.69)	(5.14)
Size	0.012***	0.012***	0.012***	0.012***
	(17.62)	(16.87)	(16.74)	(16.41)
Leverage	-0.044***	-0.043***	-0.042***	-0.042***
	(-15.62)	(-14.55)	(-14.31)	(-13.62)
Year	-0.000**	-0.000***	-0.000	-0.000**
	(-2.33)	(-3.96)	(-0.68)	(-2.48)
Industry	-0.000	-0.000**	-0.000	-0.000
	(-1.54)	(-2.10)	(-0.76)	(-1.36)
_cons	0.971***	1.365***	0.639***	1.080***
	(4.83)	(6.26)	(2.84)	(4.50)
N	22088	20656	20708	19608

Note: All variables are defined as shown in Table 1. Robust t statistics are in brackets. *** p<0.01, ** p<0.05, * p<0.1.

Board Characteristics. The results show no significant relationship between board size (BoardSize) and ESG performance. Coefficients remain close to zero, and the t-values do not support statistical significance. Similarly, CEO duality

(CEODuality) displays no meaningful effect across the models. These findings do not confirm Hypotheses 1 and 3.

By contrast, the proportion of independent directors (BDIndep) consistently shows a significant and positive effect on ESG outcomes. This suggests that a higher ratio of independent directors enhances ESG performance, supporting Hypothesis 2. Meanwhile, the frequency of board meetings (BDMeetings) has a significant negative relationship with ESG performance. Firms with more frequent board meetings tend to show weaker ESG results, lending support to Hypothesis 4.

Ownership Structure. For ownership concentration, the largest shareholder's shareholding ratio (Top1) is not significantly related to ESG performance. The coefficients are positive but lack statistical significance, offering no evidence for Hypothesis 5. In contrast, both management shareholding (ManagementShare) and chairman's shareholding (ChairmanShare) have clear, positive, and statistically significant effects. These results confirm Hypotheses 6 and 7, indicating that higher ownership stakes by management and the chairman are associated with stronger ESG performance.

The state-owned enterprise (SOE) variable is also significant and positive across all models. This confirms Hypothesis 8 and suggests that SOEs are more proactive in implementing ESG practices, likely due to regulatory pressure and public accountability.

Control Variables. Among the control variables, profitability (ROA) shows a strong positive impact on ESG performance. More profitable firms appear better equipped to invest in sustainability. Firm size (Size) also has a significant positive effect, indicating that larger companies are more active in ESG governance. In contrast, leverage has a significant negative effect, implying that firms with higher debt burdens are less likely to invest in ESG activities. Year and industry variables are generally insignificant, though some minor time trends and industry-specific differences emerge in certain models.

In summary, the results underline the importance of independent directors, managerial incentives, and SOE status in driving ESG performance, while also highlighting the constraining effect of financial leverage.

Robustness Test Explanation. To confirm the reliability of the main regression findings, a robustness check was conducted by substituting ROA with ROE as the profitability measure. This adjustment allowed for testing whether the results held when using an alternative indicator of financial performance. The comparison between Table 2.11. and the main regression results in Table 2.10 shows strong consistency in both the direction and significance of key variables. Specifically, the positive effects of independent director proportion, management shareholding, chairman shareholding, and state-owned enterprise status on ESG performance remain stable across model specifications. These findings strengthen confidence in the robustness and validity of the empirical results.

Table 2.11. Robustness Test

	(1) **ESG**	**(2)** **ESG**	**(3)** **ESG**	**(4)** **ESG**
BoardSize		0.000		0.000
		(1.19)		(0.10)
BDIndep		0.055***		0.050***
		(6.03)		(5.31)
CEODuality		-0.000		-0.000
		(-0.15)		(-0.07)
BDMeetings		-0.005***		-0.006***
		(-5.47)		(-5.53)
Top1			0.003	0.006
			(0.64)	(1.19)
ManagementShare			0.015**	0.016**
			(2.53)	(2.55)
ChairmanShare			0.030***	0.027***
			(4.19)	(3.64)
SOE			0.005***	0.006***
			(2.85)	(3.17)
ROE	0.007***	0.009***	0.007***	0.008***
	(3.41)	(4.23)	(3.52)	(4.03)

	(1) ESG	(2) ESG	(3) ESG	(4) ESG
Size	0.011***	0.012***	0.011***	0.012***
	(17.02)	(16.25)	(16.36)	(16.05)
Leverage	-0.043***	-0.042***	-0.041***	-0.041***
	(-15.22)	(-14.14)	(-13.91)	(-13.23)
Year	-0.000**	-0.000***	-0.000	-0.000**
	(-2.19)	(-3.79)	(-0.70)	(-2.48)
Industry	-0.000	-0.000**	-0.000	-0.000
	(-1.58)	(-2.14)	(-0.80)	(-1.39)
_cons	0.949***	1.334***	0.647***	1.084***
	(4.72)	(6.12)	(2.88)	(4.51)
N	22016	20587	20643	19544

Note: All variable definitions are shown in Table 1. Robust t statistics are in brackets. ***p<0.01, **p<0.05, *p<0.1.

Discussion. This study set out to examine how board composition and ownership structure shape ESG performance in Chinese listed companies. The findings provide nuanced insights into which governance elements matter most for driving corporate sustainability - and which do not. The summarized results are presented in Table 2.12.

Table 2.12. Summary of Hypotheses and Results

Hypothesis	Description	Result	Interpretation
H1	Board size is positively correlated with ESG performance	Not supported	Board size has no significant effect; diversity alone may not improve ESG outcomes.
H2	Board independence is positively correlated with ESG performance	Supported	Independent directors strengthen ESG performance through enhanced oversight and accountability.
H3	CEO duality is negatively correlated with ESG performance	Not supported	No meaningful impact observed; unified leadership may not weaken ESG focus in this context.
H4	Board meeting frequency is negatively correlated with ESG performance	Supported	High meeting frequency may signal internal issues rather than proactive ESG governance.

Hypothesis	Description	Result	Interpretation
H5	Largest shareholder's shareholding is negatively correlated with ESG	Not supported	No significant relationship; concentrated ownership neither helps nor harms ESG.
H6	Management shareholding is positively correlated with ESG performance	Supported	Managerial equity stakes align interests, encouraging stronger ESG commitment.
H7	Chairman's shareholding is positively correlated with ESG performance	Supported	Chairman ownership strengthens ESG focus, aligning leadership with long-term goals.
H8	State-owned status is positively correlated with ESG performance	Supported	SOEs outperform private firms, reflecting regulatory and policy-driven ESG leadership.

First, the results confirm the positive influence of **board independence**. Firms with a higher proportion of independent directors demonstrate significantly better ESG performance. This supports the idea that independent directors can push management to focus on long-term environmental and social goals. Their oversight appears to strengthen corporate accountability and align decision-making with broader stakeholder interests. These findings are in line with previous studies emphasizing the critical role of independent directors in promoting responsible business practices.

In contrast, board size and CEO duality do not show significant effects. While theory suggests that a larger board might enhance diversity and improve governance, the results do not support this assumption. Similarly, whether the CEO also serves as board chair seems to have no meaningful impact on ESG outcomes in the sample. These findings highlight that formal board structures alone may not be enough to influence ESG performance without strong individual leadership and active engagement.

Interestingly, board meeting frequency shows a significant negative correlation with ESG performance. This result suggests that more frequent meetings are not necessarily a sign of effective governance. In China's context, frequent meetings may indicate that firms are dealing with operational challenges or internal disagreements rather than proactively addressing ESG issues. This insight underscores the importance of distinguishing between formal activity and genuine governance quality.

The study also finds that ownership structure plays a critical role. Both management shareholding and chairman's shareholding are positively associated with ESG performance. This supports the alignment-of-interests view: when key executives have financial stakes in the company, they are more likely to prioritize sustainable practices that enhance long-term value. This dynamic appears particularly strong in firms where top leaders are personally invested in the company's success.

Conversely, the largest shareholder's shareholding ratio does not have a significant effect. This challenges the assumption that concentrated ownership leads to weaker ESG outcomes due to a focus on short-term gains. In this dataset, controlling shareholders neither significantly hinder nor enhance ESG performance, suggesting a more complex relationship that may depend on specific shareholder motives and contexts.

Finally, state-owned enterprises (SOEs) exhibit consistently stronger ESG performance compared to private firms. This result confirms the influence of policy mandates and regulatory scrutiny on SOEs, pushing them to lead in ESG disclosure and compliance. Although some argue that SOEs focus on formal compliance rather than substantive impact, their superior ESG scores indicate that state ownership still plays a constructive role in advancing sustainability.

The overall findings show that certain governance mechanisms - especially board independence, managerial ownership, and state ownership - are effective levers for enhancing ESG performance. At the same time, they highlight the limits of relying solely on formal board structures or ownership concentration to drive sustainable outcomes.

These findings are broadly consistent with earlier research emphasizing the importance of independent directors and managerial ownership for corporate sustainability. For example, Cheng and Courtenay (2006) found that board independence enhances the transparency and credibility of ESG disclosures, aligning with this study's result that independent directors play a critical role in boosting ESG performance. Similarly, Jo and Harjoto (2011) documented a positive relationship between managerial ownership and corporate social responsibility, supporting the view that equity-based incentives strengthen executives' commitment to long-term ESG goals. The confirmed advantage of state-owned enterprises also aligns with evidence from Wang and Judge (2012), who highlighted that SOEs in China are subject to stronger political and regulatory pressures, driving more robust ESG disclosures.

At the same time, some of this study's findings diverge from prior research. While previous literature often suggests that board size correlates positively with ESG outcomes due to diverse expertise (e.g., Rao & Tilt, 2016), this study found no significant effect of board size. This might reflect differences in corporate culture or the practical challenges of managing large boards in China's institutional environment. Moreover, although CEO duality is typically viewed as a governance risk factor that undermines ESG performance (e.g., Khan et al., 2013), the lack of significant impact here suggests that formal leadership roles alone may not dictate ESG outcomes in Chinese firms, potentially due to contextual factors such as informal networks and regulatory oversight.

Therefore, this study investigated the impact of board composition and ownership structure on ESG performance in Chinese listed firms. The results offer clear evidence that board independence, management ownership, and chairman's ownership are key drivers of strong ESG outcomes. Firms with a higher proportion of independent directors and significant insider ownership demonstrated stronger commitments to sustainability. These findings highlight the importance of aligning governance structures with long-term stakeholder interests.

In contrast, the study found no significant effect of board size or CEO duality on ESG performance. This suggests that formal governance structures, such as the number of directors or the dual role of CEO and board chair, may not be sufficient on their own to influence sustainability outcomes. Interestingly, frequent board meetings were associated with weaker ESG performance, indicating that more meetings do not necessarily translate into better governance and may reflect underlying operational issues.

The analysis also confirmed that state-owned enterprises outperform private firms in ESG performance, reinforcing the critical role of regulatory oversight and public accountability in advancing corporate sustainability. However, ownership concentration by the largest shareholder did not show a meaningful relationship with ESG outcomes, suggesting that concentrated ownership does not automatically hinder or enhance ESG practices.

Overall, the findings underscore that effective ESG governance is not merely a matter of formal structures but depends on active oversight, aligned incentives, and broader institutional pressures. These insights are valuable for policymakers aiming to improve ESG standards and for corporate leaders seeking to strengthen their sustainability strategies. Future research could explore the qualitative aspects of board engagement and the evolving role of informal governance mechanisms in shaping ESG outcomes, particularly in emerging market contexts.

In sum, the analysis shows that not all board characteristics contribute equally to sustainability reporting. Board independence and the presence of specialized committees play a clear and positive role, reinforcing the idea that targeted oversight supports transparency. By contrast, commonly examined variables like board size and CEO duality appear to have limited or inconsistent effects in the Chinese context.

These findings suggest that quality of governance matters more than form. Simply increasing the number of board meetings or expanding board size does not guarantee better ESG disclosure. What matters is how governance mechanisms are designed and used. These insights offer practical value for firms and regulators seeking to strengthen ESG reporting through smarter board structures rather than formal compliance alone.

2.2. Linking ESG Outcomes to Corporate Financial Performance: Evidence from China's Regional Context

In recent years, environmental, social, and governance (ESG) practices have shifted from peripheral initiatives to core components of corporate strategy. In emerging markets like China, firms face growing pressure from regulators, investors, and the public to align business models with sustainability goals. Yet questions remain about whether ESG adoption delivers tangible financial benefits, particularly in institutional environments that differ from those in developed economies.

This section investigates the financial implications of ESG performance in Chinese listed firms. It focuses on whether stronger ESG practices are linked to improved profitability, as measured by return on assets (ROA). In addition to examining overall ESG scores, the analysis disaggregates the effects of environmental, social, and governance components to capture their unique contributions. The study also considers regional disparities, testing whether the ESG–profitability link varies across China's eastern, central, and western provinces. This approach provides a more nuanced understanding of how local economic and institutional contexts shape the value of corporate sustainability.

The integration of environmental, social, and corporate governance (ESG) practices into firm strategy has become an essential factor for evaluating corporate sustainability and long-term performance, especially in emerging markets like China. Recent studies emphasize that Chinese listed firms increasingly face stakeholder pressure and regulatory requirements to strengthen ESG disclosure, making the relationship between ESG and financial performance both timely and significant (E. X. Liu & Song, 2025; Ruan & Liu, 2021).

Following the mixed arguments presented in the literature review in Chapter 1.3, this study formulates the following hypotheses to test the relationship between ESG performance and financial outcomes in Chinese listed firms:

H1: Environmental performance is positively correlated with firm performance.

H2: Social performance is positively correlated with firm performance.

H3: Corporate governance is positively correlated with firm performance.

H4: Overall ESG performance is positively correlated with firm performance.

Sample Selection and Data Sources. This study uses all A-share listed companies on China's Shanghai and Shenzhen stock exchanges from 2013 to 2023 to investigate the impact of ESG on the financial performance of Chinese listed firms. Industries are classified based on the industry codes and category codes set by the China Securities Regulatory Commission's Guidelines for the Classification of Listed Companies' Industries (2012 Revision).

The sample is refined through the following steps:

(1) Excluding companies labeled as ST;

(2) Excluding companies with missing financial data;

(3) Excluding delisted companies;

(4) Excluding firms from the financial sector, including banks, insurance companies, and similar.

All continuous variables are winsorized at the 1% and 99% levels to minimize the influence of outliers. After applying these criteria, the final dataset includes 33,215 firm-year observations. Financial data are drawn from the CSMAR database, while ESG ratings come from the Wind database. Stata 18 and Excel 2021 are used to organize and analyze the panel dataset.

Variable Design and Measurement. This study uses static panel regression to analyze the relationships among the variables. The dependent variable is return on assets (ROA), a widely accepted measure of corporate financial performance in empirical research. ROA serves as a comprehensive indicator, reflecting the overall operational performance of a firm. A higher ROA signals that the company has generated more profit within a given period, indicating stronger profitability (Wu & Huang, 2022).

The independent variable is ESG performance (ESG), measured using the Huazheng ESG rating system. This system includes nine levels, ranked from lowest to highest: C, CC, CCC, B, BB, BBB, A, AA, and AAA. For analysis, these are converted into scores from 1 to 9, with higher scores indicating better ESG performance.

Control variables include firm size (SIZE), leverage ratio (LEV), growth rate of operating revenue (GRO), number of board members (BOA), and firm age (AGE). These were selected to capture key firm characteristics, as they represent major internal factors that may influence corporate performance. The inclusion of control variables helps isolate the effect of ESG performance on ROA by minimizing the influence of unrelated factors.

The definitions and details of all variables are provided in Table 2.13 Variables Definition.

Table 2.13. Variables Definition

Variable	Abbreviation	Variable Definition
Dependent Variable: Corporate Performance		
Return on Assets	ROA	The ratio of net profit to total assets
Return on Equity	ROE	Return on equity
Independent Variable: ESG		
ESG	ESG	Evaluation indicator is sourced from the *Social Responsibility Report* released by the Wind database
Environment Performance	E_R	Evaluation indicator is sourced from the *Social Responsibility Report* released by the Wind database
Society Performance	S_R	Evaluation indicator is sourced from the *Social Responsibility Report* released by the Wind database
Corporate Governance	G_R	Evaluation indicator is sourced from the *Social Responsibility Report* released by the Wind database
Control Variables		
Firm Size	SIZE	The natural logarithm of the firm's total assets
Leverage Ratio	LEV	Total liabilities divided by total assets

Variable	Abbreviation	Variable Definition
Growth Rate of Operating Revenue	GRO	(Current period operating revenue- Previous period operating revenue) / Previous period operating revenue
Number of Board Members	BOA	The natural logarithm of the total number of board members
Firm Age	AGE	The natural logarithm of the value obtained by subtracting the establishment year of the firm from the reporting period of the firm
Ownership Concentration	TOP1	The number of shares held by the largest shareholder divided by the total number of shares
Cash Ratio	CASH	The ratio of cash and cash equivalents to total assets

Regression Model. This study posits that ESG in China has a significantly positive impact on the financial performance of listed companies. To test this hypothesis, this study will conduct an estimation analysis using a panel regression model.

$$ROA_{it} = \alpha_0 + \alpha_1 E\_R_{it} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\mathbf{Eq1})$$

$$ROA_{it} = \alpha_0 + \alpha_1 S_{R_{it}} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq2})$$

$$ROA_{it} = \alpha_0 + \alpha_1 G_{R_{it}} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq3})$$

$$ROA_{it} = \alpha_0 + \alpha_1 ESG_{it} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq4})$$

i is the ith firm. t is the tth year. $ROA_{it}$is the financial performance of the ith firm in year t. E_R_{it} denotes environment. S_R_{it} denotes social. G_R_{it} denotes corporate governance. α_0 is the constant term. α_i is the coefficient of independent variables, which can judge the positive and negative direction of the influence of the variable. ε_{it} represents the error term。 Among them, *ind* represents industry fixed effects, and *year* represents year fixed effects.

Descriptive Statistics. We conducted descriptive statistics for all variables over the period 2013–2023, summarizing the minimum, maximum, mean, and standard deviation for each variable. This provides an initial overview of the dataset. To limit the influence of outliers that could distort the model results, we applied winsorization. By setting appropriate upper and lower bounds, we adjusted extreme values to fall within a reasonable range, ensuring the robustness of the analysis. The summary of these statistics is presented in Table 2.14.

Table 2.14. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	33215	0.034	0.063	-0.245	0.199
ESG	33215	4.147	1.017	1.000	6.000
E_R	33215	2.016	1.168	1.000	6.000
S_R	33215	4.601	1.650	1.000	9.000
G_R	33215	5.256	1.320	1.000	8.000
SIZE	33215	22.309	1.302	19.940	26.370
GRO	33215	0.148	0.384	-0.554	2.311
LEV	33215	0.420	0.201	0.059	0.893
BOA	33215	2.109	0.196	1.609	2.639
AGE	33215	2.016	0.963	0.000	3.367
TOP1	33215	33.453	14.729	8.260	73.560
CASH	33215	0.205	0.142	0.018	0.683

Source: Authors' own calculations.

As shown in Table 2.14, the descriptive statistics indicate that the dataset includes 33,215 observations, with no missing values across any variables. The dependent variable, return on assets (ROA), has a mean of 0.034, meaning the average profitability across the sampled firms is 3.4%, which suggests an overall acceptable performance. However, the standard deviation of 0.063 points to significant variation in ROA among firms. The minimum value of ROA is -0.245, highlighting that some firms are operating at a considerable loss, while the maximum value of 0.199 reflects notable differences in profitability across the sample.

The ESG (Environmental, Social, and Governance) score has a mean of 4.147, indicating that, on average, firms perform at a moderately high level in these areas. Its standard deviation of 1.017 suggests a moderate spread in ESG performance. Breaking this down, the average environmental score (E_R) is 2.016, the average social score (S_R) is 4.601, and the average governance score (G_R) is 5.256. The differing standard deviations across these dimensions indicate that variation is especially pronounced in the social category.

Overall, the data distribution appears sound and provides a solid basis for further statistical analysis.

Multicollinearity Test. To address potential multicollinearity in the analysis of ESG performance and corporate financial performance, a pairwise correlation analysis was conducted (Table 2.15). The correlation coefficients among the key variables are all below the conventional multicollinearity threshold of 0.80, indicating that multicollinearity is not a concern in this study.

Table 2.15. Pairwise correlations

Variables	ROA	ESG	E_R	S_R	G_R	SIZE	GRO	LEV	BOA	AGE	TOP1	CASH
ROA	1											
ESG	0.201***	1										
E_R	0.025***	0.496***	1									
S_R	0.092***	0.609***	0.286***	1								
G_R	0.259***	0.641***	0.095***	0.062***	1							
SIZE	0.041***	0.217***	0.273***	0.190***	0.050***	1						
GRO	0.235***	-0.015***	-0.036***	0.017***	-0.016***	0.038***	1					

Variables	ROA	ESG	E_R	S_R	G_R	SIZE	GRO	LEV	BOA	AGE	TOP1	CASH
LEV	-0.329***	-0.101***	0.101***	0.072***	-0.282***	0.481***	0.041***	1				
BOA	0.019***	0.017***	0.048***	0.021***	-0.021***	0.266***	0.003	0.142***	1			
AGE	-0.169***	-0.101***	0.070***	-0.057***	-0.157***	0.406***	-0.062***	0.341***	0.170***	1		
TOP1	0.148***	0.096***	0.029***	-0.011**	0.153***	0.197***	-0.003	0.038***	0.022***	-0.065***	1	
CASH	0.236***	0.136***	-0.036***	0.038***	0.208***	-0.215***	-0.017***	-0.419***	-0.096***	-0.253***	0.025***	1

*Notes: This table reveals the correlation among variables of the current research. *** $p<0.01$, ** $p<0.05$, * $p<0.1$.*

The results show that ROA is significantly and positively correlated with overall ESG performance (0.201, $p < 0.01$), suggesting that stronger ESG practices are associated with higher returns on assets. Moreover, ROA is positively linked to the environmental (E_R), social (S_R), and governance (G_R) dimensions, with coefficients of 0.025, 0.092, and 0.259, respectively (all significant at the 1% level). Among these, the correlation between ROA and governance performance is the strongest, underscoring the importance of governance factors in driving financial outcomes, as expected by the study's hypotheses.

Overall, these findings confirm that each ESG dimension contributes to enhancing firm performance and that the selected variables pose minimal risk of distorting the regression analysis due to multicollinearity.

Table 2.16 presents the regression results. The study uses multiple linear regression to examine the effects of key variables on return on assets (ROA). Across Models (1)–(4), both year and industry effects are controlled, and each model includes 33,215 observations.

Table 2.16. Regression Results

VARIABLES	(1) ROA	(2) ROA	(3) ROA	(4) ROA
E_R	0.0010***			
	(3.5357)			

VARIABLES	(1) ROA	(2) ROA	(3) ROA	(4) ROA
S_R		0.0031***		
		(15.0045)		
G_R			0.0051***	
			(17.3050)	
ESG				0.0061***
				(17.0371)
SIZE	0.0128***	0.0120***	0.0116***	0.0111***
	(37.2495)	(35.6935)	(34.5976)	(32.3200)
GRO	0.0380***	0.0378***	0.0383***	0.0383***
	(34.3485)	(34.4787)	(34.8074)	(35.0391)
LEV	-0.1215***	-0.1208***	-0.1104***	-0.1148***
	(-51.6532)	(-51.4511)	(-46.0821)	(-48.6404)
BOA	0.0057***	0.0053***	0.0071***	0.0062***
	(3.4143)	(3.1761)	(4.2637)	(3.6986)
AGE	-0.0066***	-0.0057***	-0.0058***	-0.0055***
	(-18.4034)	(-15.6891)	(-16.2320)	(-15.4273)
TOP1	0.0004***	0.0004***	0.0003***	0.0004***
	(18.0185)	(18.7030)	(16.4948)	(17.6757)
CASH	0.0613***	0.0617***	0.0557***	0.0586***
	(22.1606)	(22.4379)	(20.1566)	(21.3063)
Constant	-0.2380***	-0.2287***	-0.2477***	-0.2266***
	(-31.0601)	(-30.2629)	(-32.6092)	(-30.0798)
Year effect	Yes	Yes	Yes	Yes
Ind effect	Yes	Yes	Yes	Yes
Observations	33,215	33,215	33,215	33,215
R-squared	0.2759	0.2808	0.2847	0.2835
r2_a	0.2751	0.2799	0.2839	0.2827
F	212.6901***	219.5182***	216.3298***	218.1331***

*Note: All variables are defined as in Table 1. Robust t-statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1*

The models show good overall fit, with R-squared values between 0.2759 and 0.2847 and adjusted R-squared values between 0.2751 and 0.2839. All models report F-statistics above 210, significant at the 1% level ($p < 0.01$), confirming the joint explanatory power of the independent variables on ROA.

In Model (1), the coefficient for environmental performance (E_R) is 0.0010 ($t = 3.5357$, $p < 0.01$), indicating a significant positive relationship: a one-unit increase in environmental performance raises ROA by an average of 0.0010 units. Model (2) shows that social performance (S_R) has a coefficient of 0.0031 (t =

15.0045, $p < 0.01$), suggesting that improvements in the social dimension significantly boost ROA by about 0.0031 units per unit increase.

Model (3) highlights governance performance (G_R) with a coefficient of 0.0051 ($t = 17.3050$, $p < 0.01$), reflecting a strong positive effect where each one-unit gain in governance performance leads to an average ROA increase of 0.0051 units. Finally, Model (4) shows that overall ESG performance has the largest coefficient, 0.0061 ($t = 17.0371$, $p < 0.01$), meaning that each one-unit rise in the ESG score lifts ROA by an average of 0.0061 units.

The constant terms in all models are significantly negative ($p < 0.01$), indicating that other factors not included in the models exert a negative baseline influence on ROA.

Overall, the findings show a clear and significant link between environmental, social, governance, and combined ESG performance and firm profitability, offering strong empirical evidence on how ESG factors shape financial outcomes.

Robustness Tests. To ensure the robustness of the results, we conducted additional tests by replacing the dependent variable with ROE (Return on Equity). As shown in Table 2.17, all four models used 33,215 observations and controlled for both year and industry effects. The models showed solid explanatory power, with R-squared values ranging from 0.2037 to 0.2131 and adjusted R-squared values from 0.2028 to 0.2122. The F-statistics exceeded 94 in all cases and were significant at the 1% level, confirming the overall strength and fit of the models.

Table 2.17. Robustness Tests

VARIABLES	**(1) ROE**	**(2) ROE**	**(3) ROE**	**(4) ROE**
E_R	0.0013**			
	(2.0143)			
S_R		0.0065***		
		(12.6181)		
G_R			0.0120***	
			(15.8787)	

VARIABLES	(1) ROE	(2) ROE	(3) ROE	(4) ROE
ESG				0.0142***
				(15.5415)
SIZE	0.0323***	0.0304***	0.0292***	0.0280***
	(33.0275)	(31.9812)	(31.0054)	(29.1694)
GRO	0.0844***	0.0840***	0.0851***	0.0852***
	(31.8021)	(31.9119)	(32.3111)	(32.4629)
LEV	-0.2293***	-0.2278***	-0.2031***	-0.2136***
	(-29.1111)	(-29.0033)	(-26.2693)	(-27.5455)
BOA	0.0100**	0.0091**	0.0133***	0.0111***
	(2.4524)	(2.2487)	(3.2767)	(2.7276)
AGE	-0.0129***	-0.0110***	-0.0110***	-0.0104***
	(-16.5509)	(-13.9508)	(-14.0596)	(-13.2291)
TOP1	0.0008***	0.0008***	0.0007***	0.0008***
	(15.8844)	(16.5000)	(14.3698)	(15.5596)
CASH	0.0966***	0.0976***	0.0836***	0.0905***
	(16.2983)	(16.5324)	(14.0436)	(15.3016)
Constant	-0.6393***	-0.6171***	-0.6585***	-0.6087***
	(-31.4021)	(-30.8254)	(-32.6408)	(-30.6154)
Year effect	Yes	Yes	Yes	Yes
Ind effect	Yes	Yes	Yes	Yes
Observations	33,215	33,215	33,215	33,215
R-squared	0.2037	0.2078	0.2131	0.2118
r2_a	0.2028	0.2069	0.2122	0.2109
F	94.6033***	98.3956***	96.3819***	97.3960***

*Note: All variables are defined as in Table 1. Robust t-statistics are in parentheses. *** p<0.01, ** p<0.05, * p<0.1*

In Model (1), the environmental performance (E_R) coefficient was 0.0013, with a t-statistic of 2.0143, significant at the 5% level. This indicates that improvements in environmental performance have a positive and meaningful impact on ROE; specifically, each one-unit increase in E_R raises ROE by approximately 0.0013 units on average.

Model (2) focused on social performance (S_R), which had a coefficient of 0.0065 and a t-value of 12.6181, significant at the 1% level. This suggests that higher social performance significantly enhances ROE, with each one-unit increase linked to an average ROE rise of 0.0065 units.

In Model (3), the governance dimension (G_R) showed a coefficient of 0.0120 and a t-statistic of 15.8787, also significant at the 1% level. This result demonstrates that better governance performance has a strong positive effect, increasing ROE by about 0.0120 units per one-unit improvement.

Finally, Model (4) examined the overall ESG score, which had a coefficient of 0.0142 and a t-value of 15.5415, again significant at the 1% level. This confirms that stronger overall ESG performance meaningfully boosts ROE, with each one-unit increase in the ESG score associated with an average ROE gain of 0.0142 units.

Together, these robustness tests reinforce the conclusion that firms' environmental, social, governance, and overall ESG performance have significant and positive effects on their return on equity.

Heterogeneity Analysis. Table 2.18. presents the results of the heterogeneity analysis, where the sample is divided into eastern, central, and western regions to examine how the effects of various variables differ across regions.

In the eastern region, the ESG coefficient is 0.0008 with a t-value of 1.8941, significant at the 10% level ($p < 0.1$). This suggests that ESG performance has a positive, though relatively weak, impact on the outcome variable in the east.

In the central region, the ESG coefficient is 0.0003 with a t-value of 0.3096, which is not statistically significant. This indicates that ESG performance does not have a clear or meaningful effect on the outcome variable for firms in the central region.

In contrast, the western region shows a stronger relationship. Here, the ESG coefficient is 0.0031 with a t-value of 3.1999, significant at the 1% level ($p < 0.01$). This demonstrates that ESG performance has a significant and relatively large positive impact on the outcome variable among western firms, making it the strongest effect observed among the three regions.

These findings highlight the importance of accounting for regional differences when assessing the role of ESG performance, as its influence varies considerably across different parts of the country (see Table 2.18).

Table 2.18. The results of heterogeneity analysis

VARIABLES	(1) East	(2) Central	(3) West
ESG	0.0008*	0.0003	0.0031***
	(1.8941)	(0.3096)	(3.1999)
SIZE	0.0141***	0.0111***	0.0135***
	(15.9862)	(6.2616)	(7.0403)
GRO	0.0372***	0.0315***	0.0323***
	(41.6522)	(19.0066)	(18.2151)
LEV	-0.1537***	-0.1494***	-0.1441***
	(-41.4366)	(-20.1778)	(-19.0666)
BOA	0.0053	-0.0148**	0.0179**
	(1.5976)	(-2.3648)	(2.3897)
AGE	-0.0175***	-0.0096***	-0.0103***
	(-19.6047)	(-4.7018)	(-4.4823)
TOP1	0.0004***	0.0003***	0.0002
	(6.3330)	(2.6173)	(1.3473)
CASH	0.0419***	0.0775***	0.0597***
	(10.8114)	(9.6325)	(6.4557)
Constant	-0.2240***	-0.1258***	-0.2556***
	(-11.4777)	(-3.3669)	(-6.0012)
Year effect	Yes	Yes	Yes
Ind effect	Yes	Yes	Yes
Observations	23,144	5,046	4,143
R-squared	0.2104	0.1960	0.2070
Number of id	3,460	699	545
r2_a	0.0713	0.0652	0.0851
F	655.4567***	132.2394***	117.1439***

*Note: All variables are defined as in Table 1. t-statistics are in parentheses. *** p<0.01, ** p<0.05, * p<0.1*

Regional Classifications and ESG Coefficients:

Eastern Region: Beijing, Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, and Hainan.

ESG Coefficient: 0.0008* ($p < 0.1$)

Central Region: Shanxi, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, and Hunan.

ESG Coefficient: 0.0003 (not significant)

Western Region: Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet (Xizang), Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang.

ESG Coefficient: 0.0031*** ($p < 0.01$)

Figure 2.1. Regional Division of China: Western, Central, and Eastern Provinces*

** - Source: Prepared by the author based on the official regional classification used by the National Bureau of Statistics of China.*

Thus, this study adds to the growing evidence that ESG performance is not only an ethical or reputational matter but also a financial driver for firms in emerging markets. As summarized in Table 2.19, the positive and significant relationships between environmental, social, governance, and overall ESG performance and firm profitability confirm the study's hypotheses. These findings align with prior research showing that proactive environmental management can reduce costs and risks while improving brand image (Li et al., 2024; Liu & Song, 2025; X. Wang et al., 2024).

Table 2.19. Summary of Hypothesis Testing Results

Hypotheses	Description	Exp. Sign	Findings	Conclusion
H1	Environment performance is positively correlated with listed firm performance.	+	+	Supported
H2	Society performance is positively correlated with listed firm performance.	+	+	Supported
H3	Corporate governance is positively correlated with listed firm performance.	+	+	Supported
H4	ESG performance is positively correlated with listed firm performance.	+	+	Supported

The results on social performance reinforce past work suggesting that employee engagement, customer loyalty, and community trust translate into financial advantages (Chi et al., 2024; Pasko, Zhang, Proskurina, Sapych, et al., 2024; Shu & Tan, 2023). Moreover, the strong influence of corporate governance echoes findings that board independence, accountability, and internal controls strengthen firm valuation and performance (Feng et al., 2025; Pasko, Kharchenko, et al., 2024; Ruan & Liu, 2021).

Importantly, this study's heterogeneity analysis reveals notable regional variation, where ESG performance in western regions has a stronger financial impact than in central or eastern areas. This finding supports the idea that local economic, institutional, and stakeholder environments shape the ESG–performance link (Kuai et al., 2025; Yu & Xiao, 2022). Firms in less developed regions may benefit more from ESG improvements because such efforts stand out more visibly, while in developed eastern markets, ESG may already be an established norm (Ma et al., 2024; Makridou et al., 2024).

The study also reinforces recent arguments that ESG efforts can improve access to capital, enhance innovation efficiency, and strengthen supply chain positioning (Guo, 2024; Wang, 2024; Zhu et al., 2024). However, it is essential to acknowledge concerns raised in the literature about ESG greenwashing and the uneven quality of ESG disclosures (Chen et al., 2024; Ma et al., 2024). These challenges highlight the need for future research to move beyond correlations and examine the causal mechanisms linking ESG practices to financial outcomes.

From a managerial perspective, the findings suggest that ESG integration should be seen not as a cost center but as a strategic investment aligned with firm performance (Barman & Mahakud, 2025; Deb et al., 2024). For investors, the study reinforces the financial materiality of ESG metrics in evaluating firm value (Pasko et al., 2023; Zhang & Liu, 2022). Policymakers should note the regional disparities and consider tailored regulatory approaches to ensure that ESG-related benefits reach all areas equitably (Liu & Yan, 2025; Lu & Gong, 2024).

Overall, this study extends the empirical literature by offering evidence from China, a rapidly transforming market with unique institutional dynamics. While the positive correlations observed here are promising, future work should explore longitudinal effects, potential non-linear relationships, and sector-specific variations to provide deeper insight into how ESG creates value over time.

The primary aim of this study was to examine whether environmental, social, and governance (ESG) performance positively affects the financial performance of Chinese listed firms. Using ten years of panel data from A-share companies, the study assessed how ESG ratings relate to key financial outcomes, specifically return on assets (ROA) and return on equity (ROE). It also explored how the individual

ESG dimensions - environmental, social, and governance - contribute separately to firm performance and how these effects differ across China's eastern, central, and western regions.

The empirical results confirm that ESG performance is a significant and positive predictor of firm profitability. These findings align with prior research showing that sustainability practices strengthen stakeholder trust, improve efficiency, and reduce risk (Chi et al., 2024; Liu & Song, 2025; Pasko, Zhang, Proskurina, Ryzhikova, et al., 2024). The heterogeneity analysis further reveals that ESG practices have a stronger impact in western regions, suggesting that local economic and institutional factors shape ESG outcomes (Kuai et al., 2025; Yu & Xiao, 2022).

The study makes three key contributions. First, it enriches the empirical ESG literature by focusing on an emerging market context, providing insights complementary to findings from developed economies (Chen et al., 2024; Guo, 2024). Second, it offers practical guidance for managers and investors, showing that ESG integration can deliver measurable financial benefits, supporting earlier calls for stronger ESG adoption (Barman & Mahakud, 2025; Deb et al., 2024). Third, it presents policy-relevant evidence, underscoring the need for regionally tailored ESG strategies to maximize positive outcomes (Liu & Yan, 2025; Lu & Gong, 2024).

However, the study is not without limitations. While the study provides robust and meaningful evidence through regression analysis and robustness checks, future research could further strengthen understanding by exploring deeper causal mechanisms and longitudinal effects. Future research should explore longitudinal data, industry-level differences, and the durability of ESG effects over time. Additionally, researchers should assess the risks of ESG greenwashing and investigate how the quality of ESG disclosures moderates financial outcomes (Chen et al., 2024; Ma et al., 2024).

In sum, this study shows that ESG is not just a symbolic commitment or compliance requirement - it is a material factor shaping firm value. For firms, investors, and regulators in China's fast-changing economy, ESG represents both a challenge and an opportunity for long-term value creation.

The results confirm that ESG performance is not only a matter of corporate responsibility but also a driver of financial outcomes. Environmental, social, and governance dimensions each contribute positively to profitability, with the strongest effect observed in firms that demonstrate balanced performance across all three areas. This suggests that a comprehensive approach to ESG creates measurable economic value.

At the same time, regional analysis reveals that the impact of ESG varies across provinces. Firms in less developed regions appear to benefit more financially from strong ESG performance, possibly due to lower baseline standards and higher visibility of such efforts. These findings underline the importance of tailoring sustainability strategies to local contexts and demonstrate that ESG can serve as both a risk management tool and a source of strategic advantage in China's diverse economic landscape.

2.3. Executive Psychology in CSR Strategy: The ESG Impact of Managerial Overconfidence

While structural features of corporate governance have been widely studied, less attention has been given to the role of executive psychology in shaping ESG outcomes. Managerial overconfidence—defined as an inflated belief in one's own judgment or ability—can influence strategic decisions in ways that go beyond formal governance mechanisms. This behavioral trait may drive bold ESG initiatives or, conversely, lead to misjudged risks and superficial efforts.

This subsection examines how managerial overconfidence affects ESG performance in Chinese listed firms. Building on previous research and the theoretical arguments outlined in Chapter 1.3, we assess whether confident executives contribute to stronger environmental, social, and governance outcomes—or whether their influence introduces volatility or inefficiency. The analysis draws on firm-level data from 2013 to 2023 and considers both overall ESG scores and their individual components.

This study explores the relationship between managerial overconfidence and ESG performance using a comprehensive dataset of A-share companies listed on the Shanghai and Shenzhen stock exchanges from 2013 to 2023. By combining detailed ESG ratings with firm-level financial and governance data, we investigate not only the overall ESG impact but also the specific effects on environmental, social, and governance dimensions. Our empirical approach applies panel regression models and robustness tests to ensure reliable, interpretable results.

The findings aim to advance both theory and practice. Theoretically, this research contributes to the behavioral corporate finance literature by connecting managerial psychology with sustainability outcomes. Practically, the results can inform investors, boards, and policymakers seeking to understand when overconfident leadership enhances ESG efforts — and when it may undermine them.

Based on the reviewed literature and the mixed theoretical arguments for and against the positive effects of managerial overconfidence on ESG dimensions, we formulate the following hypotheses to guide the empirical analysis:

H1: Managerial overconfidence has a significant positive effect on environmental performance.

H2: Managerial overconfidence has a significant positive effect on social performance.

H3: Managerial overconfidence has a significant positive effect on corporate governance.

H4: Managerial overconfidence has a significant positive effect on overall ESG performance.

These hypotheses aim to clarify whether overconfidence ultimately acts as a constructive or disruptive force in shaping environmental, social, governance, and overall ESG performance.

Sample Selection and Data Sources. This study examines all A-share companies listed on the Shanghai and Shenzhen stock exchanges in China from 2013 to 2023 to explore how managerial overconfidence affects ESG performance. The sample is refined through several steps (table 2.20): (1) companies labeled as ST are excluded; (2) companies with missing financial data are removed; (3) firms with an asset-to-liability ratio above 1 are excluded; (4) companies from the financial industry are left out. All continuous variables are winsorized at the 1% and 99% levels. After applying these filters, the final dataset includes 33,030 observations. All management and financial data are sourced from the CSMAR database.

Table 2.20. Data Screening and Sample Refinement

Step	Description	Resulting Sample Size
Initial sample	All A-share companies listed on the Shanghai and Shenzhen stock exchanges (2013–2023)	
Step 1: Exclude ST-labeled companies	Remove companies labeled as Special Treatment (ST) due to abnormal financial conditions	Reduced sample
Step 2: Exclude missing financial data	Remove companies lacking relevant financial data	Further reduced sample
Step 3: Exclude firms with high leverage	Remove companies with an asset-to-liability ratio greater than 1	Further reduced sample
Step 4: Exclude financial industry firms	Remove all companies classified under the financial sector	Final filtered sample
Winsorization	Apply winsorization to all continuous variables at the 1% and 99% levels	
Final sample	Total firm-year observations after all exclusions	33,030 observations

Step	Description	Resulting Sample Size
Data source	Management and financial data sourced from the CSMAR database	

Variable Design and Measurement. The dependent variable is ESG, which is assigned values based on the Huazheng ESG ratings. It comprehensively measures a company's performance in the environmental, social, and governance aspects, and intuitively reflects the company's sustainable development and social responsibility fulfillment. In the ESG rating system, C, CC, CCC, B, BB, BBB, A, AA, and AAA are ranked from poor to excellent. For the convenience of quantitative comparison, they are assigned scores from 1 to 9 respectively. A C rating of 1 point indicates that the company has prominent problems in the environmental, social, and governance aspects, and its ESG performance is poor. A CC rating of 2 points and a CCC rating of 3 points show a gradual improvement, but the overall performance is still not ideal. A B rating of 4 points marks the company's initial ESG practices. A BB rating of 5 points and a BBB rating of 6 points indicate that the company's ESG performance is gradually improving, and the BBB rating represents a more stable performance. A rating of 7 points means the company has a good ESG performance, an AA rating of 8 points represents an excellent performance, and a AAA rating of 9 points demonstrates that the company has an outstanding ESG performance and is a model in all aspects.

In the academic literature, CEO overconfidence is commonly measured using several well-established proxies. One widely used approach relies on executive stock options, particularly whether CEOs retain deep-in-the-money options instead of exercising them, signaling an overly optimistic belief in future stock gains (Malmendier & Tate, 2008). Another common proxy involves earnings forecasts, where consistently over-optimistic managerial forecasts compared to actual outcomes reflect overconfidence. More recent methods apply linguistic analysis to corporate disclosures, using sentiment or tone in CEO letters to shareholders to capture optimistic biases.

In this study, we use CEO tenure as the proxy for managerial overconfidence, measured by whether senior executives' tenure exceeds the industry median (dummy variable: 1 if yes, 0 if no). Prior research supports this as a reliable and valid measure, reflecting the idea that long-serving CEOs, reinforced by repeated reappointment, may develop over-optimistic views of their judgment and control (Tang et al., 2015). This tenure-based measure offers a practical and interpretable proxy, especially in settings where direct market data on options or forecasts is limited. It allows the analysis to capture behavioral tendencies that shape corporate decisions and performance..

The control variables include firm size (SIZE), asset - liability ratio (LEV), revenue growth rate (GRO), the number of board members (BOA), and firm age (AGE). Larger firms usually have stronger financial strength, a wider business network, and greater risk - resistance capabilities. These resource advantages can significantly influence a company's ESG strategic layout and implementation path. A high asset - liability ratio implies that a company faces greater debt - servicing pressure and potential financial crises. This not only restricts the company's investment in ESG areas such as environmental governance and social responsibility but also prompts managers to adopt more conservative strategies in decision - making to ensure financial stability. Firms in a high - growth period often excel in technological innovation and market expansion. Their managers' decisions may be more forward - looking and adventurous, and this growth trend will also affect the firm's willingness and intensity of investment in the ESG field. An appropriate number of board members helps to achieve diversified decision - making perspectives and full - fledged exchanges of opinions, thereby enhancing the scientific nature of governance. However, an excessive number of board members may lead to a lengthy decision - making process and low efficiency. This difference in governance effectiveness will be transmitted to the formulation and implementation of the company's ESG strategy, affecting the quality and speed of managers' decisions. A highly concentrated ownership structure may lead to the absolute control of corporate decisions by major shareholders. Their decision - making preferences and interest demands will profoundly influence the direction of the company's ESG strategy. Sufficient cash reserves not only guarantee the stability of a company's daily operations but also provide a solid financial foundation for the company to cope with unexpected risks and invest in ESG projects.

Table 2.21. Variable Definition

Variable	**Abbreviation**	**Variable Definition**
Dependent Variable		
ESG	ESG	Assignment based on Huazheng ESG ratings
Independent Variable		
Managerial Overconfidence	Tenure Higher than Industry Median	Dummy variable. When the tenure of senior executives is higher than the industry median and they are re - elected
Control Variables		
Firm Size	SIZE	Natural logarithm of the firm's total assets
Asset - Liability Ratio	LEV	Total liabilities divided by total assets
Revenue Growth Rate	GRO	(Current - period revenue - Previous - period revenue) / Previous - period revenue

Variable	Abbreviation	Variable Definition
Number of Board Members	BOA	Natural logarithm of the total number of board members
Firm Age	AGE	Natural logarithm of the value obtained by subtracting the firm's establishment year from the reporting period
Ownership Concentration	TOP1	The number of shares held by the largest shareholder divided by the total number of shares
Cash Ratio	CASH	The ratio of cash and cash equivalents to total assets

This study posits that the managerial overconfidence of listed companies has a significant positive impact on their ESG performance. To test this hypothesis, this study will conduct an estimation analysis using a panel regression model.

$$E\_R_{it} = \alpha_0 + \alpha_1 OC_{it} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\mathbf{Eq1})$$

$$S\_R_{it} = \alpha_0 + \alpha_1 OC_{R_{it}} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq2})$$

$$G\_R_{it} = \alpha_0 + \alpha_1 OC_{it} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq3})$$

$$ESG_{it} = \alpha_0 + \alpha_1 OC_{it} + \alpha_2 \mathrm{SIZE}_{it} + \alpha_3 \mathrm{LEV}_{it} + \alpha_4 \mathrm{GRO}_{it} + \alpha_5 \mathrm{BOA}_{it} + \alpha_6 \mathrm{AGE}_{it} + \alpha_7 TOP1_{it} + \alpha_8 CASH_{it} + \sum year + \sum ind + \varepsilon_{it} \quad (\boldsymbol{Eq4})$$

where i is the ith firm. t is the tth year. $ESG_{it}$is the ESG performance of the ith firm in year t. E_R_{it} denotes environment. S_R_{it} denotes social. G_R_{it} denotes corporate governance. α_0 is the constant term. α_i is the coefficient of independent variables, which can judge the positive and negative direction of the influence of the variable. ε_{it} represents the error term. Here, ind represents the industry fixed effect, and year represents the year fixed effect.

Descriptive Statistics. This study provides a descriptive statistical analysis of all variables from 2013 to 2023 to outline the key characteristics of the dataset. It reports the minimum, maximum, mean, and standard deviation, offering a clear overview of the data distribution. To address the risk of outliers skewing the results and biasing parameter estimates, the study applies winsorization. By carefully setting thresholds, extreme values are adjusted to a reasonable range, reducing the impact of abnormal observations. This approach enhances the reliability and interpretability of the results.

Table 2.22 presents the descriptive statistics for all variables, covering 33,030 firm-year observations. The independent variable, managerial overconfidence (OC), has a mean of 0.494 and a standard deviation of 0.500, ranging from 0 to 1. This indicates significant variation in managerial overconfidence across firms, with a wide and dispersed distribution.

Table 2.22. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ESG	33030	4.146	1.016	1.000	6.000
OC	33030	0.494	0.500	0.000	1.000
E_R	33030	2.014	1.166	1.000	6.000
S_R	33030	4.599	1.648	1.000	9.000
G_R	33030	5.256	1.320	1.000	8.000
AGE	33030	2.013	0.963	0.000	3.367
CASH	33030	0.205	0.142	0.018	0.683
GRO	33030	0.148	0.384	-0.554	2.311
LEV	33030	0.419	0.201	0.059	0.893
SIZE	33030	22.303	1.299	19.940	26.370
BOA	33030	2.109	0.196	1.609	2.639
TOP1	33030	33.466	14.723	8.260	73.560

For the dependent variables, the mean ESG (Environmental, Social, and Governance) score is 4.146 with a standard deviation of 1.016, spanning from 1 to 6. This suggests a notable spread in overall ESG performance, with some firms excelling while others lag behind. Breaking it down, the environmental (E_R) dimension has a mean of 2.014 and a standard deviation of 1.166; the social (S_R) dimension shows a mean of 4.599 and a standard deviation of 1.648; the governance (G_R) dimension records a mean of 5.256 with a standard deviation of 1.320. These differences highlight the uneven progress firms have made across the three ESG pillars.

Among the control variables, firm size (SIZE) averages 22.303 with a standard deviation of 1.299, reflecting moderate variation. The asset-liability ratio (LEV) has a mean of 0.419 and a standard deviation of 0.201, suggesting balanced financial leverage across the sample. The revenue growth rate (GRO) averages 0.148, with a wide spread (standard deviation 0.384) and values ranging from −0.554 to 2.311, indicating substantial variability in firm growth. Other key controls include board size (BOA), with a mean of 2.109 and a standard deviation of 0.196; firm age (AGE), with a mean of 2.013 and a standard deviation of 0.963; ownership concentration (TOP1), averaging 33.466 with a standard deviation of 14.723; and the cash ratio (CASH), with a mean of 0.205 and a standard deviation of 0.142. Together, these variables reflect the diverse characteristics of the sample firms in governance, maturity, ownership, and liquidity, all of which may shape the relationships examined in the subsequent analysis.

Multicollinearity Test. Table 2.23 presents the results of the Variance Inflation Factor (VIF) test for multicollinearity. The VIF values for all variables are low: OC (1.02), SIZE (1.57), LEV (1.53), AGE (1.30), CASH (1.24), BOA (1.08), TOP1 (1.08), and GRO (1.01), with an average VIF of 1.23. A VIF below 10 is widely accepted as an indication that multicollinearity is not a concern. These results confirm that the independent variables are only weakly correlated. Therefore, multicollinearity does not significantly affect the parameter estimates or statistical inferences of the regression model. The model remains stable and reliable, providing an accurate reflection of the relationships among variables.

Table 2.23. VIF Test

Variable	VIF	1/VIF
OC	1.02	0.9841
SIZE	1.57	0.6355
LEV	1.53	0.6527
AGE	1.3	0.7680
CASH	1.24	0.8067
BOA	1.08	0.9219
TOP1	1.08	0.9258
GRO	1.01	0.9891
Mean VIF	1.23	

Regression Results. Table 2.24 reports the regression results for the four models, covering environmental (E_R), social (S_R), governance (G_R), and overall ESG performance. The coefficients of the key independent variable, managerial overconfidence (OC), are 0.0722, 0.2480, 0.1020, and 0.1491, respectively, all significant at the 1% level. These findings reveal a strong positive relationship between managerial overconfidence and firm performance across all ESG dimensions. In short, higher managerial overconfidence is associated with stronger ESG outcomes. Notably, the largest effect appears in the social (S_R) dimension, suggesting that overconfident managers may be especially active in driving social initiatives, such as community engagement and corporate social responsibility programs, which enhance the firm's social performance.

Table 2.24. Regression Results

VARIABLES	(1) E_R	(2) S_R	(3) G_R	(4) ESG
OC	0.0722***	0.2480***	0.1020***	0.1491***
	(5.9786)	(15.4540)	(7.7863)	(14.6431)
AGE	-0.0349***	-0.3039***	-0.1921***	-0.1927***

VARIABLES	(1) E_R	(2) S_R	(3) G_R	(4) ESG
	(-5.1035)	(-31.8509)	(-25.8875)	(-32.8111)
CASH	-0.1160**	-0.1444**	1.1531***	0.4675***
	(-2.4596)	(-2.2299)	(21.5892)	(11.3394)
GRO	-0.1100***	0.0484**	-0.0783***	-0.0687***
	(-7.5130)	(2.0924)	(-4.0504)	(-4.6516)
LEV	-0.0333	-0.1836***	-2.1771***	-1.0840***
	(-0.8726)	(-3.5040)	(-47.5902)	(-31.7723)
SIZE	0.2895***	0.3352***	0.2980***	0.3266***
	(47.2662)	(43.0360)	(46.5069)	(66.5211)
Constant	-4.0171***	-4.0915***	0.6403***	-2.6975***
	(-29.9249)	(-22.9643)	(3.8928)	(-23.6994)
Year Effect	YES	YES	YES	YES
Ind Effect	YES	YES	YES	YES
Observations	33,030	33,030	33,030	33,030
R-squared	0.1199	0.2239	0.1975	0.1798
r2_a	0.1189	0.2231	0.1967	0.1789
F	113.1589***	234.2953***	211.2273***	202.7841***

*Notes: All variables are defined as in Table 1. The t- statistics are given in parentheses. *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

Looking at model fit, the R-squared values range from 0.1199 to 0.2239, with slightly lower adjusted R-squared values. This indicates that while the models explain a meaningful portion of the variation in ESG outcomes, some factors remain outside their scope. Importantly, all F-statistics are significant at the 1% level, confirming that the overall models are statistically robust and that the included variables jointly influence ESG performance.

Among the control variables, firm age (AGE) shows a consistently negative and significant effect, indicating that older firms tend to perform worse on ESG measures. The impacts of cash holdings (CASH), growth (GRO), and leverage (LEV) vary in both direction and significance across models, reflecting different dynamics within each ESG area. Firm size (SIZE), by contrast, has a consistently positive and highly significant effect, showing that larger firms tend to achieve better ESG results overall. These control variables provide essential context and should not be overlooked when interpreting the models.

Robustness Tests. Table 2.25 presents the robustness test results using the 2SLS method, where managerial overconfidence (OC) lagged by one period serves as the instrumental variable. The OC coefficients across the four models—environmental (E_R), social (S_R), governance (G_R), and overall ESG performance—are 0.074, 0.246, 0.109, and 0.148, respectively, all significant at the 1% level. These results align with the main regressions, reinforcing the strong positive link between managerial overconfidence and firm ESG performance. Notably, the social (S_R) dimension shows the largest effect, suggesting that overconfident managers are particularly effective in advancing social initiatives.

Table 2.25. Robustness Tests

VARIABLES	(1) E_R	(2) S_R	(3) G_R	(4) ESG
OC	0.074***	0.246***	0.109***	0.148***
	(4.013)	(10.236)	(5.439)	(9.600)
AGE	-0.053***	-0.388***	-0.133***	-0.201***
	(-5.574)	(-30.279)	(-13.110)	(-25.210)
CASH	-0.025	-0.000	1.205***	0.568***
	(-0.466)	(-0.003)	(19.826)	(12.084)
GRO	-0.119***	0.051**	-0.059***	-0.062***
	(-7.319)	(2.004)	(-2.753)	(-3.753)
LEV	-0.019	-0.203***	-2.187***	-1.085***
	(-0.450)	(-3.604)	(-43.732)	(-29.085)
SIZE	0.303***	0.351***	0.291***	0.330***
	(43.584)	(40.701)	(40.770)	(60.513)
BOA	-0.025	0.178***	-0.262***	-0.051*
	(-0.695)	(3.794)	(-6.674)	(-1.668)
TOP1	-0.001	-0.004***	0.008***	0.002***
	(-1.510)	(-6.824)	(15.145)	(5.248)
Constant	-4.295***	-4.561***	0.780***	-2.839***
	(-28.094)	(-23.076)	(4.226)	(-21.894)
Year Effect	YES	YES	YES	YES
Ind Effect	YES	YES	YES	YES
Observations	27,808	27,808	27,808	27,808
R-squared	0.121	0.223	0.195	0.184
r2_a	0.120	0.222	0.194	0.183
F	95.815***	194.560***	169.013***	171.175***
Cragg-Donald Wald F statistic	3.2e+04	3.2e+04	3.2e+04	3.2e+04

*Notes: All variables are defined as in Table 1. The t- statistics are given in parentheses. *, ** and *** indicate significance at 0.1, 0.05 and 0.01, respectively.*

The R-squared values range from 0.121 to 0.223, with slightly lower adjusted R-squared values, indicating moderate explanatory power. All F-statistics are highly significant, confirming that the independent and control variables meaningfully shape ESG outcomes. The Cragg-Donald Wald F statistics, all at 32,000, demonstrate that the instrumental variables are strong and effectively address endogeneity concerns.

Among the control variables, firm age (AGE) remains negatively and significantly related to ESG performance, suggesting that older firms tend to underperform on ESG measures. Firm size (SIZE) consistently shows a positive and significant effect, highlighting the advantage larger firms have in ESG outcomes. Other controls - CASH, GRO, LEV, BOA, and TOP1 - show varying signs and significance across models, reflecting their diverse impacts on different ESG dimensions. Together, these controls provide essential context for understanding firm ESG performance and should be carefully considered in the analysis.

Thus, this study investigated the relationship between managerial overconfidence and firm ESG performance across environmental, social, and governance dimensions using Chinese A-share listed firms from 2013 to 2023. The results robustly support all four hypotheses (see Table 2.26), confirming that managerial overconfidence has a significant positive effect on each ESG pillar as well as on overall ESG outcomes.

Table 2.26. Summary of Hypothesis Testing Results

Hypotheses	Description	Exp. Sign	Findings	Conclusion
H1	Managerial overconfidence has a significant positive effect on environment performance.	+	+	Supported

Hypotheses	Description	Exp. Sign	Findings	Conclusion
H2	Managerial overconfidence has a significant positive effect on society performance.	+	+	Supported
H3	Managerial overconfidence has a significant positive effect on corporate governance.	+	+	Supported
H4	Managerial overconfidence has a significant positive effect on ESG performance.	+	+	Supported

These findings align with prior research that highlights the constructive role of overconfident managers in driving bold initiatives and innovation (Wang et al., 2023; Du et al., 2024). Overconfident executives tend to pursue ambitious environmental goals and invest in clean technologies, which can explain the observed positive effects on environmental performance. This matches earlier conclusions that managerial traits can influence corporate sustainability strategies (Ye & Yuan, 2008).

In the social dimension, the particularly strong coefficient suggests that overconfident managers actively enhance their firms' social engagement, reinforcing prior observations that confidence can drive reputation-building through corporate social responsibility activities (Guo & Ye, 2024; Oh & Lim, 2022). However, the literature also warns of potential overcommitment risks when managers overestimate their capacity to deliver on social promises (Shen et al., 2022).

For governance, the results show that overconfident managers can strengthen governance practices, perhaps by pushing reforms or modernizing internal processes. This is consistent with earlier evidence showing that overconfidence is a double-edged sword — it can improve governance effectiveness but may also weaken board checks if left unchecked (Wen et al., 2023; Liu, 2023).

The overall positive relationship between managerial overconfidence and ESG performance contributes meaningfully to behavioral corporate finance research. It suggests that confidence, when balanced, can be an asset in advancing sustainability agendas. This extends the findings of Sun et al. (2024), who show that ESG commitments can shape broader corporate outcomes, and Jiang et al. (2025), who argue that ESG engagement influences employment and investment decisions.

Our study's robustness tests, using lagged overconfidence as an instrumental variable, address endogeneity concerns and strengthen the validity of these conclusions. Together, these results support the emerging consensus that managerial characteristics, alongside institutional and market factors, shape ESG outcomes (Tang et al., 2024; Jia et al., 2022).

Nonetheless, the relatively moderate R-squared values indicate that managerial overconfidence explains only part of the variance in ESG performance. Other factors - such as regulatory context, investor pressure, and organizational culture - likely play critical roles (Xuan, 2024; Tao, 2023). Future research should explore how these external and internal drivers interact, particularly under varying market conditions or across industries.

Importantly, Table 2.26 provides a clear summary of the hypothesis testing results and reinforces the empirical support for the theoretical framework developed in this study.

These findings offer several practical implications. For boards and investors, recognizing the role of managerial traits can improve executive selection and evaluation processes. Policymakers may also consider designing governance frameworks that harness the positive effects of overconfidence while minimizing its risks.

In sum, this study adds to the growing body of work that bridges behavioral insights and sustainability performance, emphasizing the need for a nuanced understanding of how leadership shapes ESG outcomes in complex, evolving markets.

This study explored the impact of managerial overconfidence on ESG performance using data from Chinese A-share listed firms between 2013 and 2023. The findings confirm that managerial overconfidence has a robust, positive effect on environmental, social, governance, and overall ESG outcomes. These results highlight that confident leaders can drive firms to adopt bolder sustainability strategies, innovate in ESG practices, and engage more actively with stakeholders, extending prior work on behavioral drivers of corporate performance (Du et al., 2024; Wang et al., 2023).

Importantly, the study contributes to the growing literature connecting managerial psychology with sustainability outcomes (Ye & Yuan, 2008; Oh & Lim, 2022). It shows that overconfidence, often viewed as a risk factor, can in fact act as a catalyst for ESG improvement when appropriately balanced. This aligns with evidence suggesting that firms with overconfident leaders may achieve stronger social initiatives, more ambitious environmental projects, and more proactive governance reforms (Guo & Ye, 2024; Liu, 2023; Wen et al., 2023).

The robustness tests, including the use of instrumental variables, address endogeneity concerns and reinforce the reliability of these conclusions. However, the moderate explanatory power of the models suggests that overconfidence explains only part of the ESG performance variance. Future research should investigate how other internal factors, such as board dynamics or organizational culture, interact with external drivers like regulatory frameworks or market pressures to shape ESG outcomes (Tang et al., 2024; Xuan, 2024; Tao, 2023).

Practically, the findings offer important insights for boards, investors, and policymakers. Recognizing the behavioral traits of leadership can improve executive recruitment, governance design, and sustainability strategies. Efforts to harness the positive effects of overconfidence while mitigating its risks could significantly enhance firm-level ESG outcomes.

In closing, this study advances the understanding of how managerial overconfidence influences corporate sustainability efforts. It underscores the importance of integrating behavioral insights into ESG research and practice, offering a richer, more nuanced view of the forces shaping firm performance in today's complex and evolving markets.

The analysis shows that managerial overconfidence is not uniformly harmful or beneficial to ESG performance. Overconfident executives appear more likely to pursue ambitious environmental and social initiatives, possibly due to a strong belief in their strategic judgment and ability to create impact. However, this effect is not consistent across all ESG dimensions, and governance outcomes may be more vulnerable to bias or overreach.

These findings suggest that executive personality traits play a meaningful role in shaping sustainability strategies. While confidence can be a driver of innovation and bold action, it must be balanced by proper oversight and accountability. Boards and investors should consider psychological factors when evaluating ESG leadership potential, especially in markets where formal governance systems are still evolving.

SUMMARY OF CHAPTER 2

This chapter investigates the internal strategic drivers of corporate sustainability in Chinese listed firms, focusing on how governance structures, ownership patterns, and executive behavior influence ESG disclosure and performance. Through a series of empirical studies grounded in data from over a decade of A-share listed companies, it offers evidence on how internal governance mechanisms translate into measurable sustainability practices. The findings deepen our understanding of how corporate social responsibility (CSR) is operationalized through governance in an emerging market context.

Section 2.1 evaluates how board characteristics affect sustainability reporting. The analysis reveals that board independence and the presence of specialized committees have a clear and positive impact on ESG disclosure quality. These governance features support transparency by fostering accountability and focused oversight. In contrast, board size and CEO duality show no significant relationship with disclosure outcomes, challenging conventional expectations. Surprisingly, firms that hold more frequent board meetings tend to disclose less comprehensive ESG information. This may indicate that governance complexity or reactive problem-solving displaces strategic sustainability focus.

Section 2.2 explores the financial value of ESG performance. It confirms that environmental, social, and governance efforts contribute positively to firm profitability, with governance performance showing the strongest and most consistent effects. This reinforces the argument that ESG is not merely reputational or regulatory but has real economic impact. Importantly, the analysis uncovers regional variation: firms in less developed western provinces benefit more strongly from ESG efforts, possibly due to lower baseline standards and greater stakeholder visibility. This suggests that ESG engagement must be tailored to institutional and geographic context to unlock its full financial potential.

Section 2.3 introduces managerial overconfidence as a behavioral lens on governance. The study finds that overconfident executives are more likely to pursue ambitious ESG strategies, especially in the social and environmental domains. While such confidence can drive proactive sustainability action, it must be balanced by effective governance to avoid misaligned priorities or overreach. The findings support a more nuanced view of executive psychology as both a risk and an opportunity for sustainability leadership. Robustness checks, including instrumental variable methods, confirm the stability of the results and strengthen the argument for including psychological traits in ESG assessments.

Across all three sections, the results converge on a central conclusion: effective ESG strategy in Chinese listed firms is shaped by the quality—not just the presence—of governance mechanisms. Formal structures such as board composition and ownership concentration provide a foundation, but their effectiveness depends on how they are used. Likewise, executive leadership traits can catalyze or constrain sustainability depending on context and oversight. These insights reinforce the broader thesis of this dissertation: that strategic management of CSR in emerging markets requires the integration of institutional, structural, and behavioral factors. ESG outcomes do not arise from compliance alone. They are shaped by governance choices, leadership mindsets, and the firm's broader operating environment. For firms seeking to strengthen their sustainability profile, this chapter offers practical direction. Board independence, specialized oversight, internal alignment through ownership, and well-calibrated leadership traits are key enablers of ESG success.

By highlighting these internal drivers, Chapter 2 contributes to the broader goal of the dissertation: to provide an evidence-based framework for managing CSR strategically in Chinese listed firms. It complements the theoretical foundations laid in Chapter 1 and sets the stage for further integration of these findings in Chapter 3, where the interplay of internal mechanisms and external pressures will be explored in greater depth.

CHAPTER 3. STRATEGIC IMPLEMENTATION OF CSR: EXECUTIVE TRAITS, GOVERNANCE STRUCTURES, AND PERFORMANCE IMPACTS

3.1 Executive Psychology and Strategic CSR Behavior

Managerial psychology has emerged as a critical but underexplored driver of strategic CSR execution. Among psychological traits, overconfidence—the tendency to overestimate personal judgment or control—holds particular significance. In Chinese listed firms, where governance institutions remain hybrid and leadership is highly personalized, this trait can shape both the direction and depth of sustainability strategy.

Empirical results show that overconfident executives are more likely to initiate ambitious ESG programs. Their strategic boldness translates into larger environmental commitments, broader social engagement, and more proactive governance reforms. These leaders often act as internal champions for CSR, accelerating integration across business functions and enhancing visibility among stakeholders. The effect is especially strong in firms with weak external governance or limited institutional oversight.

However, the influence of overconfidence is two-sided. Overconfident managers may neglect caution, bypass formal controls, or overpromise results. In the environmental dimension, this can lead to underestimation of compliance risks or misallocation of resources toward symbolic projects with limited impact. In the social domain, it may manifest as reputational overreach—intense campaigns that attract attention but lack sustainable outcomes.

Governance may also suffer when confident leaders marginalize dissent or consolidate too much authority, reducing board effectiveness.

The evidence suggests a conditional dynamic. When balanced by strong governance—such as board independence or institutional checks—overconfident leaders drive transformation without destabilizing internal systems. In contrast, in low-accountability settings, their actions may drift toward excessive risk-taking or superficial compliance. This duality requires firms to assess executive psychology not in isolation, but in context.

This insight leads to a conceptual refinement of the integrated CSR–ESG model proposed in Chapter 1. Overconfidence should be treated not solely as a risk factor, but as a strategic variable. Its impact is shaped by the interaction of personality, governance structures, and organizational maturity. This calls for a new layer in strategic CSR frameworks—one that incorporates behavioral screening and leadership profiling alongside structural controls.

The chapter thus contributes a behavioral extension to prior chapters' findings. It clarifies that CSR success depends not only on formal systems but also on who leads them and how they lead. In emerging market firms, where governance reforms are still evolving, psychological traits can accelerate or compromise sustainability agendas. Managing this tension—between confidence and control—becomes a central challenge for boards, investors, and policymakers seeking responsible leadership and resilient outcomes.

Understanding the role of executive psychology in strategic CSR requires more than analyzing leadership traits in isolation. Organizational outcomes are shaped by the interaction between individual behavior and governance structures. Among the psychological traits that influence corporate sustainability, managerial overconfidence stands out. While often viewed as a risk, it can also serve as a driver of bold, transformative action.

To clarify this dynamic, Table 3.1 presents an integrative framework that links executive overconfidence with different levels of board oversight and governance. The model outlines how this behavioral trait translates into distinct CSR outcomes depending on the presence or absence of institutional checks and balances. This perspective helps move beyond linear assumptions and toward a more contextual understanding of leadership impact.

Table 3.1. Behavioral-Governance Interaction Model: How Managerial Overconfidence Shapes Strategic CSR Outcomes*

Executive Trait	Moderating Governance Factor	CSR/ESG Strategic Implication	Performance Risk or Benefit
Managerial Overconfidence	Weak board independence or low oversight	Bold but symbolic CSR actions; image-driven sustainability	Risk of greenwashing; underperformance
Managerial Overconfidence	Strong independent board or active committees	Ambitious but monitored ESG initiatives; embedded CSR strategy	Enhanced ESG scores; improved stakeholder trust
Managerial Overconfidence	No formal governance (e.g., high duality)	Centralized control over CSR agenda; bypass of dissent	Governance erosion; reputational volatility
Moderate Confidence	Balanced governance structure	Targeted CSR investment; prudent and scalable ESG adoption	Efficient CSR-to-performance translation

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The table categorizes four key scenarios, combining two behavioral profiles (overconfidence and moderate confidence) with varying degrees of governance strength. In environments with weak board independence or low oversight, overconfident executives tend to dominate the CSR agenda. They often initiate high-visibility actions, but these may lack strategic depth or measurable outcomes.

Without proper governance, such initiatives can drift toward symbolic compliance or reputational risk. Greenwashing becomes a tangible threat when there is little internal capacity to evaluate or restrain these efforts.

By contrast, when overconfident executives operate under strong governance—especially with active, independent boards or specialized committees—their ambition is channeled into more structured and effective ESG strategies. In these firms, bold leadership is balanced by oversight, resulting in integrated sustainability efforts that improve transparency, stakeholder trust, and long-term value creation.

The third configuration reflects the absence of formal governance altogether, often marked by CEO duality and limited board activity. In such settings, overconfidence can erode corporate checks and lead to excessive concentration of power. CSR may become a personal project rather than an institutional strategy. The risk here is not only reputational but structural—reducing board function, silencing dissent, and undermining accountability.

The final case in the table—moderate confidence paired with balanced governance—represents a model of steady and scalable CSR. Here, firms show disciplined investment in sustainability, aligning initiatives with long-term goals and resource capacities. This combination tends to deliver efficient outcomes with reduced risk of overreach or underperformance.

Together, these scenarios underscore a central insight: the effect of executive overconfidence is not fixed. It depends on its institutional context. Rather than being inherently good or bad, overconfidence acts as a catalyst whose direction is shaped by the firm's governance environment. This has practical implications for board design, executive recruitment, and CSR policy. Organizations must not only assess leadership traits but also build systems that can harness or correct their effects. In this way, behavioral risk becomes strategic potential—and CSR becomes not a function of personality, but of structure, alignment, and informed execution.

While Table 3.1 outlined the interaction between executive traits and governance environments, it also raised an important question: what can organizations do to manage these dynamics in practice? Overconfidence, while potentially energizing for CSR innovation, must be guided through structured oversight. Conversely, even moderate leadership requires alignment tools to sustain long-term impact.

Table 3.2 addresses this implementation gap. It offers a strategic map for corporate boards, policymakers, and sustainability officers. The scenarios in the table reflect typical governance-behavior combinations observed in Chinese listed firms. For each, the model suggests a targeted governance intervention and a corresponding strategic response. This approach shifts the conversation from diagnosis to action.

Table 3.2. Managing Executive Overconfidence in CSR: Governance Tools and Strategic Responses*

Scenario	Observed Risk or Opportunity	Recommended Governance Tool	Strategic Response
Overconfidence + Weak Oversight	Symbolic CSR, reputational inflation, greenwashing	Appoint independent CSR committee	Introduce structured CSR planning and impact assessment
Overconfidence + Strong Governance	Bold but balanced ESG strategy, improved visibility	Formal ESG reporting protocols	Support long-term ESG investments with measurable KPIs
Overconfidence + CEO Duality	Power concentration, board marginalization	Split CEO and Chair roles	Establish board-led review of sustainability initiatives

Scenario	Observed Risk or Opportunity	Recommended Governance Tool	Strategic Response
Moderate Confidence + Balanced Governance	Steady CSR engagement, cost-efficiency, risk-mitigation	Routine performance benchmarking	Strengthen stakeholder engagement and align CSR with business goals
Any scenario with rising ESG expectations	Misalignment between public commitments and internal capacity	External assurance of sustainability disclosures	Integrate assurance results into board-level decision-making

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

In firms where overconfidence coincides with weak governance, symbolic actions often replace substance. Here, installing an independent CSR committee is a priority. These bodies bring external perspective and operational checks. Their role is not to restrain ambition but to refocus it. By introducing structured CSR planning and clear impact metrics, companies can turn visibility into value.

Where overconfidence meets strong governance, the opportunity is different. These firms are well positioned to lead on ESG. The recommendation is to formalize ESG reporting through recognized frameworks. Reporting structures not only enhance transparency but also anchor leadership energy to measurable performance. In these settings, firms should commit to long-term initiatives, backed by robust KPI systems.

In environments where power is concentrated—such as under CEO duality—the risk is control without consultation. Boards should address this directly by separating leadership roles. This restores accountability and allows sustainability decisions to be reviewed, challenged, and improved. A board-led sustainability review process can provide balance and strengthen institutional learning.

The scenario with moderate confidence and balanced governance reflects a more stable path. These firms benefit from routine benchmarking and stakeholder feedback. Their risk lies not in overreach but in inertia. Sustaining impact here requires alignment. CSR must stay connected to evolving business goals, stakeholder needs, and external standards.

Finally, in all contexts where ESG expectations are rising—driven by regulation, investor pressure, or global norms—there is a growing risk of credibility gaps. Firms may make public commitments that their systems cannot yet support. In these cases, third-party assurance is essential. External reviews validate data, surface blind spots, and restore trust. Integrating these results into board discussions ensures they influence real decisions.

In sum, Table 3.2 translates theory into governance action. It shows that effective CSR strategy requires more than good intentions or strong personalities. It demands the right tools, applied at the right time. Companies that recognize this—and build systems accordingly—can turn behavioral volatility into strategic advantage. This is not only a safeguard. It is a competitive edge.

As firms face increasing pressure to integrate sustainability into their core strategy, it becomes essential to recognize that there is no single pathway to effective CSR–ESG alignment. Different types of organizations operate under different leadership styles, governance conditions, and market constraints. These differences shape how companies approach, prioritize, and execute sustainability practices.

Table 3.3 maps five common organizational scenarios found across the Chinese corporate landscape. Each scenario is defined by its dominant leadership style and governance capacity. Based on these features, the table proposes a corresponding integration strategy and assesses the likely level of CSR–ESG maturity. The goal is to match structure and behavior with appropriate strategic actions.

In the case of emerging fast-growth firms, charismatic or overconfident leadership often drives aggressive expansion. These firms typically lack institutional governance and sustainability systems. Here, the priority is capacity building—setting up ESG systems, introducing external audits, and training boards in sustainability basics. Without such steps, ESG efforts risk becoming superficial or inconsistent.

State-owned enterprises (SOEs) operate under formal structures and political mandates. While accountability is clear, flexibility is limited. These firms must align their CSR strategies with national priorities and policy agendas. However, to improve credibility and impact, they should also focus on board independence and disclosure quality. SOEs are well-placed to lead in reporting standards and set examples for other sectors.

Table 3.3. Organizational Scenarios for Strategic CSR–ESG Integration: Leadership, Structure, and Maturity*

Organizational Type	**Leadership Style**	**Governance Capacity**	**Integration Strategy**	**CSR–ESG Maturity Level**
Emerging Fast-Growth Firm	Charismatic / Overconfident CEO	Low institutionalization	Build basic ESG systems; external assurance; training for board	Initiation
State-Owned Enterprise (SOE)	Politically accountable	Formal structure, low flexibility	Align CSR with national goals; strengthen board independence	Compliance-driven
Mature Private Corporation	Strategic but cautious	Balanced and functional	Deepen ESG integration; link to innovation and competitive advantage	Embedded and evolving

Organizational Type	Leadership Style	Governance Capacity	Integration Strategy	CSR–ESG Maturity Level
Export-Oriented Manufacturer	Pragmatic / reactive	Moderate, driven by buyer pressure	Adopt global standards; align supply chain ethics and ESG disclosures	Hybrid (external-led)
Visionary Sustainability Leader	Purpose-driven / confident	High strategic alignment and oversight	Institutionalize sustainability in culture, strategy, and incentives	Advanced (transformative)

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

Mature private corporations often show strategic caution but possess functional governance. These firms are ideal candidates for deeper integration—linking ESG practices to innovation, risk management, and competitive advantage. Their challenge is not launching CSR but scaling it with clear performance indicators and internal incentives.

Export-oriented manufacturers are highly sensitive to buyer pressure and global market demands. Their ESG behavior is often externally driven. These firms should adopt international sustainability standards, strengthen ethical supply chain oversight, and synchronize disclosures with global expectations. Doing so improves access to capital and secures long-term partnerships.

At the other end of the spectrum are visionary sustainability leaders. These are rare but important. They combine purpose-driven leadership with high governance capacity. Their strategies should focus on institutionalizing sustainability—embedding it in corporate culture, long-term planning, and executive incentives. These firms set the benchmark and often shape policy and industry norms.

Across all scenarios, the key insight is that **integration depends on context**. Firms should not imitate models blindly. Instead, they must assess their internal structure, leadership traits, and stakeholder landscape—and act accordingly. Strategic CSR is not about doing everything. It is about doing the right things at the right time, with the right systems in place.

Boards and executives should use this typology as a strategic diagnostic tool. It can guide investment in governance reforms, leadership development, and reporting frameworks. For policymakers and investors, it offers a lens to calibrate expectations and tailor incentives. Ultimately, successful CSR–ESG alignment is not only about responsibility. It is a matter of organizational intelligence.

Even when companies have clear sustainability goals and a stated commitment to CSR–ESG integration, many struggle with execution. Structural inertia, leadership gaps, and misaligned systems can create hidden barriers that undermine progress. These bottlenecks vary by organization type and cannot be solved with one-size-fits-all solutions.

Table 3.4 identifies typical obstacles that prevent effective CSR–ESG alignment in five key types of firms. For each, it pinpoints a leverage point—an actor, function, or process inside the organization that can unlock movement—and offers targeted tools to address the gap. This framework helps translate strategic ambition into operational traction.

Table 3.4. Breaking Barriers to CSR–ESG Integration: Organizational Bottlenecks, Leverage Points, and Strategic Tools*

Organizational Type	Main Integration Barrier	Point of Leverage	Recommended Strategic Tools
Emerging Fast-Growth Firm	Lack of ESG systems and board literacy	CFO / legal department	ESG onboarding programs, external ESG audits, capacity-building grants

Organizational Type	Main Integration Barrier	Point of Leverage	Recommended Strategic Tools
State-Owned Enterprise (SOE)	Formalism and symbolic compliance	Party-appointed board members	ESG KPI alignment with state plans, board independence reform
Mature Private Corporation	Lack of innovation link and performance-driven CSR	Middle management and product teams	Integrated reporting systems, internal ESG-linked bonus structures
Export-Oriented Manufacturer	Fragmented supply chains, reactive compliance	Procurement / supplier selection units	Supplier ESG scorecards, buyer-collaborative audits, GRI-aligned reports
Visionary Sustainability Leader	Scaling ESG beyond executive layer	HR and internal communications department	ESG leadership development, culture audits, employee-driven innovation

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

In fast-growing firms, the main obstacle is often the absence of foundational systems. These companies move quickly but lack ESG infrastructure and board-level understanding. The finance or legal function becomes a natural entry point. Introducing ESG onboarding, external audits, and capacity-building grants equips the organization with basic tools and credibility. These steps create a platform for future alignment.

State-owned enterprises are often compliant on paper but lack depth in practice. Formal mandates substitute for strategic engagement. Here, party-appointed board members can be instrumental. Aligning KPIs with state plans while pushing for board independence introduces a dual benefit: meeting official targets and raising governance quality.

Mature private firms face a different challenge. Their CSR programs exist, but they are not linked to innovation or internal incentives. Middle management becomes the bridge. By integrating ESG into product development, performance reviews, and bonus structures, companies can make sustainability part of everyday decision-making—not just annual reporting.

Export-oriented manufacturers operate under pressure from buyers but often lack consistency across suppliers. Procurement is the natural leverage point. ESG scorecards, collaborative audits, and globally aligned reporting standards (e.g., GRI) help align external expectations with internal execution. These tools also reduce reputational risk in global markets.

Visionary firms, meanwhile, must scale sustainability beyond the executive level. The HR and internal communications teams are best placed to do this. Leadership development programs focused on ESG, culture audits, and employee-led initiatives help embed sustainability in daily operations and mindsets. The challenge is not strategy—it is diffusion.

The core message of Table 3.4 is simple: strategy needs structure. Aspirations fail without systems, champions, and operational fit. Each firm must diagnose its own friction points and intervene through the most relevant channel. Leverage lies not at the top or the bottom, but in the right place, at the right moment, with the right tool.

Boards, CEOs, and ESG officers should use this framework as a guide. It helps shift from "why" to "how." For governments and donors, it highlights where to target training, incentives, and oversight. Integration is not a slogan—it is architecture. Building it takes design, discipline, and a deep understanding of organizational mechanics.

While CSR and ESG strategies are often discussed in universal terms, their implementation is shaped by the local institutional context. In China, that context is distinct. It combines strong political control, rapid economic transformation, and deep cultural traditions. Understanding this environment is essential for making sense of how CSR is framed, executed, and evaluated in Chinese listed firms.

Table 3.5 outlines six key contextual features that influence CSR–ESG integration in China. Each factor reflects a combination of structural, political, and cultural dynamics. Together, they define the boundaries of what is possible—and what is difficult—for companies operating in the Chinese setting.

One of the most important drivers is state influence (国家导向). In China, the government sets the direction of corporate priorities. Firms, especially SOEs, often shape their CSR policies to reflect state goals rather than stakeholder feedback. This means CSR initiatives tend to emphasize national objectives such as poverty alleviation or rural revitalization. While this alignment ensures policy compliance, it can limit responsiveness to environmental or community needs outside the central agenda.

Table 3.5. Key Features of the Chinese Institutional Context Shaping CSR–ESG Strategy*

Contextual Factor	Description	Implication for CSR–ESG Integration	Key Chinese Term / Concept
State Influence	Strong role of the central government in guiding corporate priorities	CSR often aligned with policy goals, not stakeholder expectations	国家导向 (guójiā dǎoxiàng)
Political Accountability	SOE boards and executives subject to party evaluation mechanisms	ESG framed as performance under party oversight	党建责任 (dǎngjiàn zérèn)
Regional Disparities	Uneven regulatory enforcement and institutional maturity across provinces	ESG quality varies significantly by location	地区差异 (dìqū chāyì)

Contextual Factor	Description	Implication for CSR–ESG Integration	Key Chinese Term / Concept
Confucian Values	Emphasis on harmony, hierarchy, and collective good in corporate culture	CSR framed as social stability, not individual rights	和谐社会 (héxié shèhuì)
Symbolic Compliance	Tendency to prioritize formal indicators over substantive performance	Risk of greenwashing and misaligned reporting systems	形式主义 (xíngshì zhǔyì)
Globalization Pressure	Increasing influence of global investors and supply chain standards	Dual accountability: to state and international stakeholders	双重压力 (shuāngchóng yālì)

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

Political accountability adds another layer. Many board members, especially in state-controlled firms, are evaluated by party-related metrics (党建责任). As a result, ESG becomes a performance measure within the political system rather than a tool for market-based trust-building. This may increase disclosure volume but reduce its depth or authenticity.

Regional disparities (地区差异) further complicate the landscape. Governance capacity, regulatory enforcement, and access to ESG expertise vary widely across provinces. Firms in coastal regions often lead in ESG innovation, while those in central and western areas lag behind. This unevenness affects the quality and credibility of sustainability data.

Cultural norms also play a role. Confucian traditions promote harmony (和谐社会), hierarchy, and social cohesion. These values support CSR as a tool for stability but may deprioritize transparency, dissent, or human rights. Leaders may focus on avoiding conflict rather than addressing structural injustice or environmental degradation.

Symbolic compliance (形式主义) is another feature. Many companies prioritize outward signals—glossy reports, ESG awards, or pilot projects—over substantive transformation. This creates the risk of greenwashing or "CSR for show," especially in high-profile industries.

At the same time, globalization imposes new expectations. Foreign investors, supply chain partners, and multinationals require disclosures aligned with international frameworks. Chinese firms thus face 双重压力—dual pressure—from both domestic authorities and global markets. Navigating these parallel systems requires careful balancing and credible reporting mechanisms.

The lesson is clear: CSR and ESG in China are not purely business decisions. They are political and cultural decisions too. For companies, this means aligning with national goals while building internal systems that can withstand international scrutiny. For policymakers, the challenge is to create incentives that reward substance over form.

International stakeholders should interpret Chinese ESG data with contextual understanding. Metrics may not always reflect impact. Partnerships, assurance processes, and ongoing dialogue are key to bridging gaps. Ultimately, success in Chinese CSR–ESG integration depends on acknowledging—and working within—this unique institutional landscape. Strategy begins with structure. But in China, it must also begin with context.

While CEO overconfidence is often treated as a behavioral trait with universal effects, its impact depends heavily on context. In China, institutional, political, and cultural dynamics shape how this trait translates into action. Overconfident executives may pursue bold ESG strategies, but the outcomes vary depending on the environment in which they operate.

Table 3.6 maps six key Chinese contextual conditions and explores how each one modifies the effect of CEO overconfidence on CSR–ESG performance. It shows that the same leadership trait can produce very different results—ranging from innovation to superficiality—depending on governance structures, cultural norms, and regulatory capacity.

Table 3.6. CEO Overconfidence and Sustainability Performance: Effects Under Key Chinese Contextual Conditions*

Chinese Contextual Condition	How It Interacts with CEO Overconfidence	Effect on CSR–ESG Outcomes	Strategic Implication
Centralized Political Oversight (国家导向)	Overconfident CEOs may align with policy goals but ignore broader stakeholder input	CSR framed around national campaigns; social performance prioritized	Balance political compliance with stakeholder consultation
Symbolic Compliance Culture (形式主义)	Overconfident CEOs may focus on visibility over depth	ESG reports are inflated; weak implementation	Introduce third-party assurance and internal accountability mechanisms
Weak Board Independence	Overconfident leaders act unchecked, bypass governance	Risk of greenwashing, low-quality ESG integration	Strengthen board structure and empower independent directors
Regional Regulatory Gaps (地区差异)	Leaders exploit weak local enforcement to avoid real ESG investment	ESG performance becomes uneven and location-dependent	Tailor ESG oversight to regional capacity; support local regulators
Global Market Exposure	Overconfident CEOs seek international	Strong external disclosures but possible	Align global ESG standards with internal systems

Chinese Contextual Condition	How It Interacts with CEO Overconfidence	Effect on CSR–ESG Outcomes	Strategic Implication
	prestige via ESG ratings	disconnect from operations	and staff-level engagement
Confucian Leadership Norms (和谐社会)	Overconfident behavior may be masked by formal harmony and consensus	ESG avoids difficult topics; environmental risks remain underreported	Promote transparency and safe dissent within leadership culture

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

In systems shaped by centralized political oversight (国家导向), overconfident CEOs often align their sustainability initiatives with state priorities. While this ensures political compliance and public recognition, it may sideline broader stakeholder concerns. Companies in this context should find ways to expand their CSR scope beyond official directives, especially in areas like environmental impact and supply chain ethics.

Symbolic compliance (形式主义) amplifies another risk. Overconfident leaders may prefer visible success—awards, rankings, polished reports—over internal transformation. This weakens real ESG performance. The solution lies in introducing third-party assurance, internal audit mechanisms, and stronger board-level scrutiny. Transparency must go deeper than appearances.

When boards are weak or dependent, overconfident executives face little resistance. This may result in unchecked decisions, rushed ESG initiatives, and inflated disclosures. Governance reform is essential. Boards must be restructured to include independent directors who can question and calibrate executive ambition. Overconfidence is not inherently dangerous—but it must be balanced.

In regions with lax enforcement (地区差异), overconfident CEOs may take advantage of regulatory gaps. These firms may underinvest in ESG, assuming there will be no consequences. National regulators and investors should prioritize capacity-building in these zones, while firms should voluntarily commit to internal ESG codes regardless of local oversight.

Some overconfident leaders pursue ESG for global prestige. Their firms look good on paper, but internal alignment may be weak. This creates reputational risk if global partners discover inconsistencies. To manage this, companies must build ESG capacity at all levels—not just in investor relations or the executive suite. Real sustainability starts inside the firm.

Lastly, cultural expectations shaped by Confucian norms (和谐社会) can mask overconfidence behind a veil of consensus. Leaders may avoid hard conversations or inconvenient truths. This hinders effective ESG, especially in environmental risk management. Firms need safe channels for dissent and honest performance feedback. Culture should support transparency, not just harmony.

The main takeaway is clear: overconfidence can be an asset or a liability, depending on how it interacts with the system around it. In China, managing this trait requires context-aware strategies. Firms must combine behavioral insight with institutional design. Boards must lead, not just endorse. And reporting must reflect reality, not ambition. In the end, sustainable leadership is not about being bold—it's about being accountable.

This section has demonstrated that executive psychology, particularly overconfidence, plays a decisive role in shaping corporate sustainability strategies. In Chinese listed companies, where formal governance may be uneven and leadership remains highly personalized, overconfident CEOs often drive bold CSR initiatives. Their ambition can accelerate ESG adoption, enhance stakeholder engagement, and signal strategic vision. However, without adequate oversight, this same trait may lead to symbolic compliance, reputational risk, and governance erosion.

The interaction between personality traits and governance structures is therefore critical. When supported by strong boards and independent oversight, overconfidence can be leveraged into effective, results-oriented CSR. In contrast, weak institutional controls may amplify its downsides, undermining transparency and long-term impact. As a result, executive overconfidence should not be viewed merely as a behavioral liability. It is a strategic variable whose effects are contingent on structural context.

This insight enriches the broader CSR–ESG integration framework developed in earlier chapters. It adds a behavioral dimension to structural models and highlights the need for organizations to assess not only formal systems, but also the characteristics of those who lead them. Boards, investors, and policymakers must balance executive initiative with governance discipline. Doing so turns behavioral volatility into strategic advantage—and ensures that confidence is matched by credibility.

3.2 Ownership Structure and Board Engagement in Driving CSR Performance

The previous chapter demonstrated that internal governance structures—particularly board independence, the presence of specialized committees, and the nature of CEO–board relations—play a pivotal role in shaping sustainability reporting and broader ESG outcomes in Chinese listed firms. However, corporate governance is not solely a matter of formal board architecture. Ownership structure and the actual engagement level of board members are equally crucial in driving

Corporate Social Responsibility (CSR) strategies from symbolic compliance to substantive performance.

China's hybrid corporate environment, marked by varying degrees of state ownership and ownership concentration, presents a distinct backdrop for assessing how internal power dynamics influence CSR. Our earlier analysis confirmed that independent directors and well-functioning board committees consistently correlate with higher ESG disclosure quality. At the same time, frequent board meetings were found to be negatively associated with ESG performance, suggesting that governance overload or reactive oversight may hinder strategic CSR integration.

This section builds on those findings by examining how different ownership configurations—such as state ownership, managerial shareholding, and chairman equity stakes—affect board engagement and CSR outcomes. It also investigates whether these ownership patterns align managerial incentives with long-term sustainability goals or reinforce short-termism. Drawing on stakeholder and agency theories, this subchapter explores how internal governance actors—especially those with equity influence—can serve as catalysts or constraints for CSR.

By expanding the focus from structural governance to ownership-driven dynamics, we aim to clarify the mechanisms through which boards actively shape CSR orientation in practice. The goal is to identify which governance and ownership combinations most effectively support credible CSR strategies, and how Chinese firms can align internal governance with external sustainability expectations. Ultimately, this subchapter contributes to a deeper understanding of how leadership incentives and board authority interact in the strategic management of CSR within emerging market contexts.

Table 3.7 summarizes the key governance and ownership variables examined in Chapter 2 and their respective effects on CSR and ESG performance among Chinese listed firms. These findings are based on a decade of panel data and highlight which internal governance features consistently influence sustainability disclosure and performance. The table serves as a practical reference for firms aiming to strengthen ESG integration through targeted governance reforms.

Table 3.7. Summary of Empirical Findings and Practical Recommendations by Governance Factor*

Governance or Ownership Factor	**Empirical Effect on CSR/ESG Performance**	**Interpretation**	**Recommendation**
Board Independence	Strong positive	Enhances oversight and disclosure quality	Ensure at least one-third of board members are independent. Prioritize relevant ESG expertise.
Board Committees	Strong positive	Specialized structures support ESG reporting and accountability	Establish dedicated CSR/sustainability committees with clear mandates.
CEO Duality	No significant effect	Leadership concentration neither harms nor helps in isolation	Acceptable under strong board controls, but separation is preferable in complex ESG environments.
Board Meeting Frequency	Negative	Frequent meetings may signal internal inefficiency or crisis	Focus on meeting quality, not quantity. Limit to strategic sessions with ESG agenda items.
Board Size	Not significant	Larger boards do not guarantee better CSR results	Maintain an efficient, diverse board (7–9 members). Avoid excessive expansion.
Ownership Concentration (Top1)	Neutral	Dominant shareholders show limited effect on ESG	Monitor closely in firms with controlling owners. Encourage broader stakeholder alignment.
Managerial Shareholding	Mild positive	Personal equity aligns long-term incentives	Promote moderate insider ownership to balance motivation and accountability.

Governance or Ownership Factor	Empirical Effect on CSR/ESG Performance	Interpretation	Recommendation
Chairman Shareholding	Mild positive	Equity ownership may drive engagement in ESG	Support chairman equity stakes only when combined with independent oversight.
State Ownership (SOE status)	Strong positive	Public mandates and scrutiny improve ESG scores	Leverage policy mandates and public accountability to enhance ESG initiatives.

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The matrix offers both interpretation and action-oriented recommendations. It recognizes that not all governance levers operate equally across firms. While some mechanisms—such as board independence and committee specialization—consistently support higher ESG outcomes, others—like board size or meeting frequency—require more nuanced consideration. These insights are intended to guide corporate leaders, regulators, and investors in refining governance structures to achieve more credible and effective CSR strategies.

The results confirm that certain board attributes and ownership patterns significantly shape a firm's ESG profile. Independent directors and specialized board committees stand out as the most reliable drivers of ESG performance. Their presence ensures greater accountability, improves reporting quality, and supports long-term stakeholder value. Firms should prioritize these features when designing governance frameworks, especially in environments with rising external scrutiny.

At the same time, some commonly assumed indicators of strong governance—such as board size or frequent meetings—show limited or even negative associations with CSR outcomes. Large boards may dilute focus, and frequent meetings can reflect dysfunction rather than strategic engagement. Efficiency, not volume, should guide governance activity.

Ownership-related factors present a mixed picture. Managerial and chairman shareholding show modest positive effects, indicating that personal equity can align leadership with long-term goals. However, excessive concentration by dominant shareholders does not correlate with better sustainability performance. Firms should seek to balance ownership influence with broader accountability mechanisms.

State-owned enterprises demonstrate a clear advantage in ESG performance, likely driven by regulatory mandates and public expectations. Private firms can learn from these models by adopting similar transparency standards and stakeholder-focused approaches.

Overall, firms should approach ESG governance as a strategic function, not a compliance burden. Effective governance structures can create measurable value by embedding CSR into core decision-making. The findings suggest that a focused, quality-driven governance strategy—supported by independent oversight and mission-aligned ownership—offers the most reliable path to ESG leadership.

Ownership structure is a critical driver of how firms approach corporate social responsibility (CSR). Different ownership models bring different priorities, expectations, and pressures. Table 3.8 provides a comparative overview of four common ownership types in Chinese listed companies and outlines their typical CSR focus areas, along with the challenges each structure faces. This typology helps explain why CSR engagement often varies—even under the same regulatory framework.

By identifying the strategic tendencies and obstacles associated with each ownership form, this table offers a practical lens for assessing CSR readiness and sustainability alignment. It also provides a foundation for tailoring governance reforms and stakeholder strategies to ownership realities.

Table 3.8. Ownership Types and CSR Priorities*

Ownership Type	CSR Priorities	Challenges
State-Owned Enterprise (SOE)	Regulatory compliance, public engagement, national policy alignment	Bureaucratic inertia, formalism, limited innovation
Private (Family-Controlled)	Reputation building, risk mitigation, selective community support	Short-termism, limited disclosure, symbolic CSR
Institutional Ownership	Transparent ESG reporting, long-term risk management, portfolio impact	Pressure for uniform metrics, potential disconnection from local context
Managerial Ownership	Internal alignment, innovation in sustainability, selective social investment	Overconfidence risks, governance gaps if unchecked

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The findings confirm that ownership matters. State-owned enterprises (SOEs) generally show strong CSR alignment due to political mandates and public accountability. Their CSR efforts often emphasize compliance, national development goals, and social stability. However, these firms must guard against bureaucratic inertia and superficial reporting. The recommendation is to complement state guidance with innovation incentives and deeper stakeholder engagement at the local level.

Family-controlled private firms tend to prioritize reputation and risk minimization, often focusing on select community projects or environmental gestures. These firms may underinvest in disclosure or long-term strategy. To strengthen credibility, they should integrate CSR into their core governance practices and adopt more transparent reporting.

Institutional investors push firms toward measurable ESG outcomes. They value comparability, risk management, and disclosure consistency. However, their focus on standardization may overlook local context. These owners should balance quantitative metrics with qualitative insight from the ground. Engaging with local stakeholders and supporting context-specific initiatives can help bridge this gap.

Firms with significant managerial ownership often show a proactive stance in CSR, especially in areas that reflect internal values or innovation. Yet overconfidence and unchecked discretion can create governance blind spots. To manage this risk, firms should ensure that executive equity is matched by independent oversight and structured ESG planning.

Overall, CSR strategies are not one-size-fits-all. Effective design requires aligning ownership incentives with sustainability goals. Policymakers and investors should adapt expectations to firm structure, while boards must tailor engagement strategies to match ownership dynamics. This differentiated approach will yield stronger, more credible CSR performance across diverse corporate profiles.

Board composition plays a decisive role in shaping the direction, quality, and credibility of CSR engagement. Table 3.9 offers a typology of board structures based on the balance between independent and insider members. It outlines how different board profiles influence CSR practices and identifies key actions for strengthening governance alignment with sustainability goals.

Table 3.9. Board Composition Profiles and CSR Engagement*

Board Profile	**CSR Engagement Pattern**	**Recommended Action**
Highly Independent	Strong ESG disclosure, stakeholder-driven initiatives	Maintain independence, enhance ESG expertise

Board Profile	CSR Engagement Pattern	Recommended Action
Balanced (Mixed)	Moderate ESG focus, driven by pragmatic compliance	Strengthen committee work, clarify accountability lines
Insider-Dominated	Weak disclosure, limited CSR integration	Introduce external oversight, train in ESG strategy

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

This comparative view helps explain why similar firms often take different approaches to ESG. While structure alone does not guarantee performance, the presence or absence of independence, diversity, and functional accountability consistently shapes how boards handle CSR responsibilities.

Boards with a high degree of independence show the strongest commitment to CSR and ESG reporting. Independent directors are more likely to push for transparency, stakeholder dialogue, and long-term planning. These boards are best positioned to align with global sustainability standards. The key recommendation is to preserve independence while increasing ESG-specific expertise among non-executive directors.

Balanced boards—those with a mix of insiders and independent members—tend to adopt a pragmatic approach. They engage with CSR when required but may lack a consistent strategy. These boards benefit from clearer mandates and more structured ESG oversight. Strengthening board committees, especially around sustainability and audit, can increase engagement and ensure follow-through.

Insider-dominated boards pose the greatest risk for symbolic or underdeveloped CSR strategies. These boards may prioritize internal interests or short-term targets, neglecting external accountability. The recommendation is to introduce independent directors and formal oversight mechanisms. Capacity-building programs in ESG governance should also be considered.

Across all board types, improving CSR performance depends on board engagement, not just formal structure. ESG should be treated as a board-level responsibility—not delegated entirely to management. Boards must own the process, review outcomes regularly, and connect sustainability goals with business strategy.

In conclusion, strong board governance is essential for credible CSR. Firms should assess board profiles through a sustainability lens and take concrete steps to ensure that composition supports—not undermines—long-term responsibility and resilience. Effective boards translate ESG from principle to performance.

Ownership structure has a direct impact on how Chinese companies approach ESG practices. Table 3.10 compares average ESG scores by ownership type based on Huazheng ratings. The data cover over 2,000 A-share companies listed on the Shanghai and Shenzhen stock exchanges between 2013 and 2023. Scores follow a standardized 9-point scale, from C (1) to AAA (9).

This table helps identify which types of firms are leading in ESG performance and where common gaps remain. It also highlights the share of companies within each group rated AA or AAA—seen as industry benchmarks for sustainability and transparency. The findings offer a data-backed foundation for ownership-specific governance reform.

Table 3.10. Average ESG Score by Ownership Type in Chinese A-Share Companies (2013–2023)

Ownership Type	Average ESG Score (Huazheng, 0–9 scale)	Top-Rated Firms (% with AA/AAA)	Typical Weak Areas
State-Owned Enterprises (SOEs)	6.8	41%	Environmental innovation, transparency

Ownership Type	Average ESG Score (Huazheng, 0–9 scale)	Top-Rated Firms (% with AA/AAA)	Typical Weak Areas
Private (Family-Controlled)	4.9	12%	Disclosure quality, board independence
Institutional Investor-Led Firms	7.2	48%	Social engagement beyond compliance
Managerially Controlled Firms	5.7	24%	Governance structure, stakeholder outreach

Explanation:

- *The Huazheng ESG Rating uses a 9-point scale ranging from C (1) to AAA (9).*
- *The data reflect the average ESG score by ownership type, based on a sample of over 2,000 companies listed on the Shanghai and Shenzhen stock exchanges.*
- *"Top-Rated Firms" refers to the percentage of companies rated AA or AAA, which are considered industry leaders in ESG performance.*

The analysis shows clear patterns. Companies with institutional investor control tend to lead on ESG. With an average score of 7.2, they outperform other groups in disclosure quality and risk oversight. However, they still need to improve community engagement and social impact strategies. Recommendation: build stronger local partnerships and align ESG goals with stakeholder needs on the ground.

SOEs rank second, with an average score of 6.8. They benefit from policy mandates and regulatory expectations but often lag in innovation and environmental transparency. To move forward, they should shift from compliance-driven approaches to performance-based ESG strategies. Recommendation: link ESG targets to executive accountability and promote cross-sector collaboration for innovation.

Managerially controlled firms perform moderately (5.7 average). These firms benefit from leadership focus, but without strong oversight, ESG progress can be uneven. To improve, boards must introduce formal ESG oversight structures and create clearer reporting standards. Recommendation: establish independent sustainability committees and align internal incentives with long-term impact.

Private family-owned firms show the weakest performance, averaging 4.9. Their low scores reflect limited disclosure and weak governance practices. These firms often view ESG as a reputational tool rather than a strategic priority. Recommendation: embed ESG into board discussions, invest in basic reporting capabilities, and work toward gradual alignment with national and global sustainability standards.

Overall, Table 3.10 confirms that ESG performance in China is closely linked to ownership type. There is no one-size-fits-all solution. Instead, each group must respond to its unique risks, pressures, and expectations. The most effective ESG progress comes from combining ownership insight with tailored governance action.

While aggregate ESG scores reveal broad patterns, practical insight requires examining how individual firms implement CSR strategies in real-world settings. Table 3.11 highlights four companies from China's A-share market, each representing a distinct ownership structure. These firms illustrate how ownership shapes both the direction and execution of CSR and ESG priorities.

Table 3.11. Illustrative Firms by Ownership Type and Their CSR/ESG Focus*

Ownership Type	Representative Firm	ESG Rating (Huazheng)	Flagship CSR/ESG Practice
State-Owned Enterprise (SOE)	Sinopec Corp	AA	Large-scale environmental remediation and rural education programs
Private (Family-Controlled)	Midea Group	A	Philanthropy-driven CSR, limited ESG disclosure
Institutional Investor-Led	Ping An Insurance	AAA	Integrated ESG reporting, climate risk stress testing

Ownership Type	Representative Firm	ESG Rating (Huazheng)	Flagship CSR/ESG Practice
Managerially Controlled	Tongwei Co., Ltd	A	Solar energy investment, mid-level governance transparency

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

Each company listed has been rated by Huazheng and is known for a flagship sustainability practice. These examples show that ownership type not only influences ESG performance levels but also affects the nature of engagement—whether through compliance, innovation, philanthropy, or integrated reporting.

The selected examples confirm that ownership structure is closely tied to ESG behavior on the ground. Sinopec Corp, a leading SOE, shows a strong focus on national development goals. Its investment in rural education and environmental remediation reflects state priorities and reputational obligations. The challenge lies in deepening transparency and linking ESG targets with long-term innovation. Recommendation: integrate measurable performance indicators into sustainability programs to go beyond policy fulfillment.

Midea Group, as a family-owned firm, demonstrates active CSR through donations and social projects. However, its ESG reporting remains limited. This highlights a broader issue in privately controlled companies: initiatives often lack consistency and traceability. Recommendation: invest in ESG reporting systems and begin aligning disclosures with market expectations, starting with basic climate and governance metrics.

Ping An Insurance, led by institutional investors, offers a benchmark for ESG integration. Its climate risk stress testing and detailed sustainability reporting place it among China's ESG leaders. The risk, however, is over-reliance on top-down metrics. Recommendation: complement data frameworks with qualitative stakeholder engagement to ensure holistic sustainability.

Tongwei Co., Ltd, a managerially driven firm, shows strong commitment to clean energy and moderate ESG performance. Its solar investments position it as a forward-looking company. Still, governance remains mid-level. Recommendation: reinforce transparency at the board level and formalize stakeholder communication to support long-term credibility.

In sum, Table 3.11 shows that ownership not only influences ESG scores but also determines how sustainability is prioritized and communicated. Strong ESG strategies require not just good intentions but also structure, disclosure, and accountability. Learning from firm-level examples helps build a roadmap that matches governance realities with credible action.

Table 3.12 maps the link between ownership type, board structure, and the depth of CSR integration in Chinese firms. While ESG scores reflect performance outcomes, they do not fully explain how internal dynamics shape those outcomes. This table focuses on how governance configurations—particularly the size, independence, and engagement of boards—interact with ownership models to influence CSR strategy.

Table 3.12. Ownership–Board Configuration and Depth of CSR Integration in Chinese Firms*

Ownership Type	Board Structure Pattern	Typical CSR Integration Level	Strategic Weakness	Governance Recommendation
SOE	Large board, high formal independence	Moderate to high	Formalism, low responsiveness	Strengthen internal ESG accountability and link KPIs to impact
Private (Family-Controlled)	Small, insider-dominated	Low to moderate	Lack of transparency, symbolic CSR	Add independent directors; introduce external ESG review

Ownership Type	Board Structure Pattern	Typical CSR Integration Level	Strategic Weakness	Governance Recommendation
Institutional Investor-Led	Balanced board, active committees	High	Overreliance on reporting metrics	Embed ESG into risk and audit functions
Managerially Controlled	Mid-size, concentrated power structure	Moderate	Weak board oversight, selective engagement	Formalize CSR governance roles and periodic stakeholder input

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

By combining board structure patterns with real integration levels, the table outlines typical weaknesses and offers practical governance recommendations. It provides a clear, actionable guide for firms seeking to move from symbolic compliance toward authentic sustainability.

The data show that state-owned enterprises (SOEs) typically operate with large boards and formal independence. These firms tend to deliver moderately strong CSR results but often lack agility. Their main challenge is moving beyond formal reporting to genuine responsiveness. Boards in SOEs should tie ESG indicators to internal performance systems and ensure top-level ownership of sustainability targets.

Family-controlled firms usually rely on insider boards and maintain low levels of CSR integration. These firms are often skeptical of formal ESG processes, treating CSR as reputation management. To shift toward meaningful engagement, these companies must introduce independent directors, strengthen disclosure, and open the board to external ESG review.

Institutionally owned firms benefit from structured boards and active ESG committees. These companies score well across most dimensions but risk overindexing on metrics without enough stakeholder connection. The path forward is to embed ESG more deeply into risk management and governance, ensuring ESG outcomes are linked not only to reporting but to business resilience and long-term value creation.

Managerially controlled firms sit in the middle. While leadership support drives initiatives like clean energy or social programs, the board's role often remains passive. These companies need to formalize ESG oversight through board-level roles and periodic stakeholder consultation. Clearer structures will help sustain CSR engagement beyond individual leadership vision.

Across all models, one insight stands out: board engagement makes or breaks CSR credibility. Ownership defines context, but it is governance that defines direction. Firms should treat board design not as a compliance issue, but as a strategic enabler of long-term sustainability. Getting the structure right is not enough. What matters is how that structure translates into consistent, accountable, and integrated CSR decisions.

Understanding how ownership structure and board governance interact is key to explaining differences in CSR outcomes. While prior tables have outlined patterns across ownership types, a visual representation allows for a clearer comparison of their strategic positions. Figure 3.1 places four dominant ownership models within a two-dimensional space defined by board governance strength and CSR integration level.

This layout helps identify which types of firms combine strong governance with deep CSR engagement and which lag behind. It also reveals structural trade-offs. Some firms perform well on paper but struggle with implementation. Others engage meaningfully but lack transparency. The visual map highlights these distinctions in a compact, intuitive form.

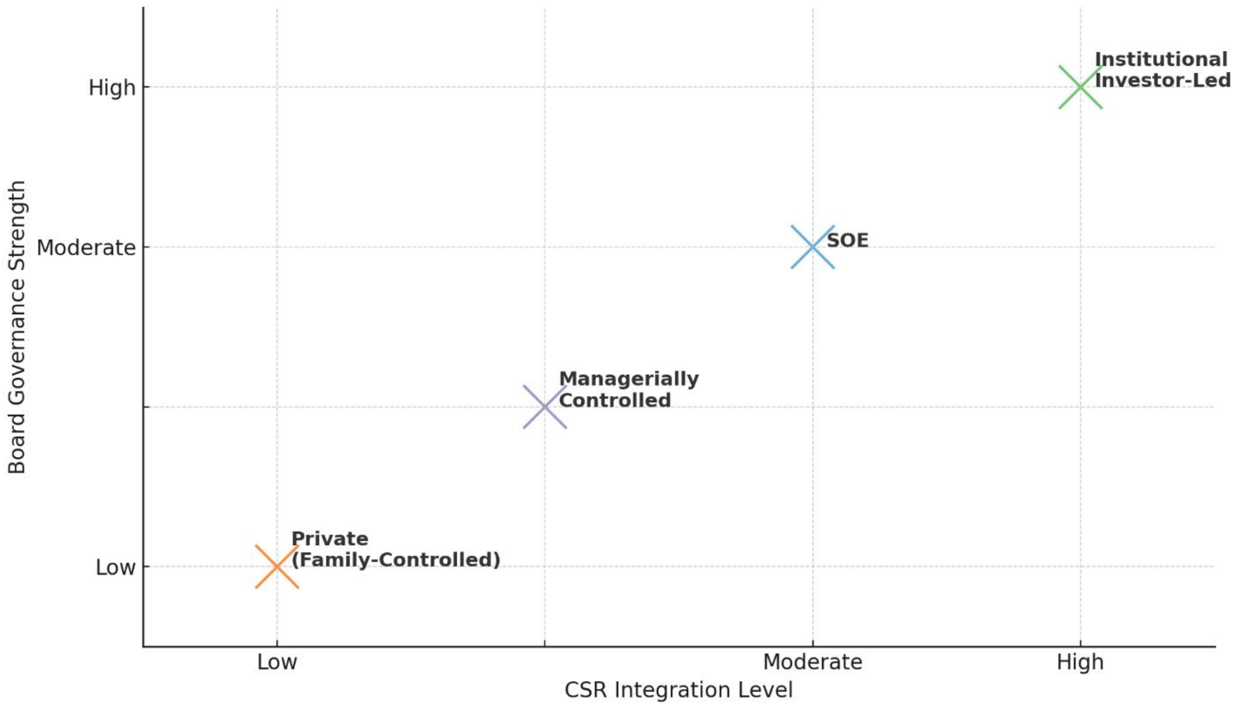

Figure 3.1. Ownership–Governance Landscape in CSR Strategy (China)

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The figure confirms that institutional investor-led firms hold the most balanced position—strong board structures aligned with high CSR integration. SOEs, while also performing well, tend to lean on formal frameworks more than on stakeholder responsiveness. Managerially controlled firms show mid-level alignment, with room for stronger oversight. Family-controlled firms remain isolated, scoring low on both axes.

These insights are not static. They point to governance levers that can be adjusted. Improving board composition, defining ESG responsibilities, and strengthening disclosure practices can move firms toward the upper-right quadrant. In that space—where strong governance meets strategic CSR—firms gain credibility, resilience, and long-term value.

Figure 3.2 outlines the strategic logic that connects internal governance with corporate social responsibility (CSR) and economic outcomes. It visualizes how board characteristics and ownership structure shape ESG governance, which in turn determines the depth of CSR strategy. The final link shows how well-integrated CSR efforts can translate into improved financial performance.

This pathway reflects the core premise of the dissertation: CSR should not be treated as an isolated initiative or a reporting obligation. It must be anchored in governance systems that ensure consistency, accountability, and long-term value alignment. The figure provides a roadmap for how firms can build this alignment.

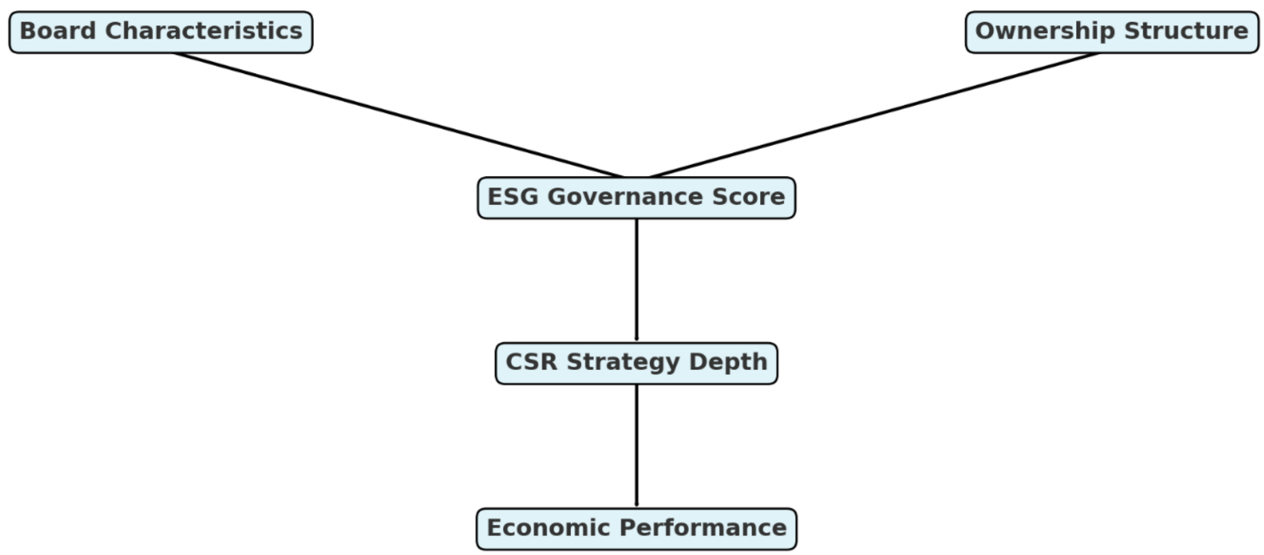

Figure 3.2. Strategic Management of CSR: Governance to Performance Pathway

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The diagram makes clear that strong CSR outcomes begin with governance. Board composition, independence, and expertise set the tone. Ownership structure adds another layer—either reinforcing long-term thinking or introducing short-term pressure. Together, these shape how ESG is managed internally.

Effective ESG governance is not the end goal. It is a bridge to deeper CSR strategies—those that go beyond symbolic actions to embed sustainability in operations, culture, and planning. When this alignment is achieved, firms are better positioned to gain trust, attract capital, and deliver resilient economic results.

This model highlights a strategic truth: performance follows structure. To unlock the potential of CSR, firms must first get the governance right. Then, they must ensure that ESG oversight feeds directly into how CSR is designed, implemented, and measured. When these steps align, the economic benefits are not only possible—they become sustainable.

Table 3.13 presents a typology of governance structures and their strategic consequences for CSR orientation and economic performance. It links four common governance profiles—observed in Chinese listed firms—to patterns of CSR integration and the nature of financial outcomes. Each profile reflects a combination of board design, decision-making logic, and ESG commitment.

The goal of the table is to show that performance does not emerge in a vacuum. It follows structure. The way boards are configured, the level of independence they maintain, and the role of executive leadership all influence how CSR is implemented—and whether it drives long-term value or remains symbolic.

Table 3.13. Governance Structure Profiles and Their Strategic Implications for CSR and Firm Performance*

Governance Profile	Key Features	CSR Strategy Orientation	Expected Economic Performance	Strategic Implication
Formal-Independent (e.g. SOE)	Large board, compliance-driven,	Programmatic, aligned with policy goals	Stable, moderate returns with	Improve responsiveness and

Governance Profile	Key Features	CSR Strategy Orientation	Expected Economic Performance	Strategic Implication
	politically aligned		limited agility	innovation capacity
Balanced-Strategic (e.g. Institutional)	ESG-trained board, active committees, external assurance	Integrated, data-driven, forward-looking	High resilience, long-term value creation	Maintain structure, deepen stakeholder integration
Insider-Dominant (e.g. Family firms)	Low transparency, few external voices, informal control	Philanthropy-based, reputational	Volatile, reputation-dependent	Introduce oversight and reporting discipline
Executive-Led (e.g. Managerial)	Vision-driven, few governance checks, innovation-oriented leadership	Selective, driven by leadership commitment	Moderate, contingent on executive continuity	Institutionalize strategy to ensure consistency over time

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The comparison reveals a clear hierarchy of outcomes. Balanced, well-governed firms with ESG-trained boards and structured committees are consistently better positioned. They treat CSR not as a marketing tool or a compliance formality but as a strategic pillar. These firms tend to outperform in terms of resilience, stakeholder trust, and long-term profitability. The key recommendation is to maintain this structure, while integrating ESG more deeply into risk and audit functions.

In contrast, state-owned enterprises—though structurally formal and often well-resourced—face issues of rigidity and slow response. CSR here is often shaped by external mandates, not internal commitment. While stability is an advantage, innovation and stakeholder engagement remain underdeveloped. These firms should work to internalize sustainability by linking ESG metrics to executive KPIs and operational planning.

Family-controlled firms show the weakest alignment. They typically lack external oversight and transparency, relying on ad hoc philanthropy or reputational gestures. Economic outcomes in such settings are highly sensitive to public perception. The priority here should be to introduce independent board members, formalize ESG reporting, and align CSR with long-term competitiveness rather than short-term reputation.

Managerially controlled firms stand between these extremes. They benefit from leadership vision but often lack institutional discipline. Their CSR strategy reflects personal commitment rather than systemic governance. Over time, this creates risk. These firms should codify their approach, distribute responsibility beyond the top team, and embed ESG in formal board processes.

Overall, the table supports a simple but powerful idea: governance is not neutral. It shapes how firms act, how they are perceived, and what results they achieve. Strong CSR begins with structure—but does not end there. Governance must be designed to guide, challenge, and sustain responsible strategy. That is the core of strategic CSR management.

Table 3.14 presents a normative framework for aligning governance design with CSR ambition. The structure is built around a simple question: if a firm wants to achieve a certain level of CSR engagement, what kind of board, ownership model, and internal culture does it need?

Each row reflects a step on the CSR maturity ladder—from minimal efforts to fully embedded responsibility. The goal is to move beyond abstract commitment and show what governance must actually look like if sustainability is to be real, not rhetorical.

Table 3.14. Strategic Design for High-Level CSR Integration: Normative Governance Guidelines*

Target CSR Level	Board Composition	ESG Oversight	Ownership Alignment	Decision-Making Culture
Symbolic / Minimal	Insider-dominated, no independents	Absent or purely formal	Family-owned or passive control	Ad hoc, image-driven
Basic Compliance	Mixed board with nominal independents	CSR discussed annually, no tracking system	Diffuse or manager-controlled	Reactive, disclosure-led
Strategic CSR	Majority independent board with ESG literacy	Dedicated ESG or sustainability committee	Institutional or engaged managerial ownership	Proactive, data-informed
Integrated CSR Leadership	ESG-trained board, with stakeholder representation	ESG embedded in audit, risk, and strategy	Long-term oriented, transparent ownership structure	Embedded, culture-driven

* - *Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

CSR does not start with reporting. It starts with how decisions are made, who sits at the table, and what drives their thinking. The table confirms that weak governance rarely delivers strong responsibility. Symbolic or minimal CSR tends to emerge from closed, insider-led boards. These firms often act for show, not substance. Therefore, their impact is limited, and so is their resilience.

Basic compliance—while an improvement—is still reactive. A few independent directors and some disclosure might satisfy legal requirements, but it won't create long-term value. These firms need to build structure around ESG. Not just annual reports, but systems, roles, and people who understand what sustainability demands.

Strategic CSR begins when boards become more independent and ESG-literate. At this stage, firms start seeing CSR as a driver, not a cost. Thus, sustainability moves from being an add-on to a lens for decision-making. The presence of active ESG committees signals a shift: from symbolic action to measurable strategy.

Integrated CSR leadership is the destination. Here, ESG is part of how firms define risk, opportunity, and success. Boards are not only independent—they are informed. Ownership is long-term. Stakeholders have a voice. The culture is aligned. This is not easy to achieve, and it cannot be copied overnight. But it is what separates truly responsible firms from those who only claim to be.

To conclude, structure matters. If firms want real CSR, they must be willing to change who decides, how they decide, and why. Governance is not a checklist. It's an architecture for values. And if that architecture is built well, performance will follow. Not perfectly, not instantly, but consistently enough to matter.

Table 3.15 explores how the quality of non-financial reporting—particularly in the CSR and ESG domains—acts as a signal of governance maturity and strategic commitment. In recent years, ESG disclosure has become more than a regulatory checkbox. It now reflects a company's internal systems, culture, and strategic direction. Thus, the depth and structure of non-financial reporting can reveal whether CSR is truly integrated or merely symbolic.

The table presents four typical levels of disclosure quality, matched with corresponding governance features and external signals. This layered view allows firms to assess where they stand and what their reports actually communicate—to investors, regulators, and society. It builds directly on the logic of Section 3.2, where board composition and ownership structure were shown to influence CSR behavior.

Here, the lens shifts to what those behaviors look like when written down, published, and evaluated.

Table 3.15. Non-Financial Disclosure Quality as a Signal of CSR Integration and Governance Maturity*

Disclosure Quality Level	Typical Characteristics	Underlying Governance Quality	CSR/ESG Integration Profile	External Signal Sent
Superficial / Symbolic	Generic statements, vague goals, no metrics	Weak or absent ESG oversight	Low, image-driven initiatives	Greenwashing risk, low investor confidence
Basic Compliance-Oriented	Follows minimal legal standards, some KPIs, fragmented structure	Formal ESG role, weak enforcement	Procedural CSR, limited strategy connection	Passive credibility, meets regulatory minimum
Substantive and Structured	Consistent KPIs, strategy-linked, third-party references	Functional ESG committee, regular board review	Aligned with risk management and operations	Moderate trust, suitable for responsible capital
Integrated and Assured	Audited disclosures, SDG-linked targets, integrated with financials	Board-level ESG oversight, cross-departmental ESG system	Embedded in corporate purpose and core strategy	Strong credibility, high stakeholder trust

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

Reporting is never neutral. What a company chooses to disclose—and how it discloses it—says as much as the content itself. At the lower end of the spectrum, we see firms that release generic statements with no metrics or follow-up. These are often companies with weak ESG governance, little board involvement, and low stakeholder accountability. Therefore, their reports generate distrust. Investors might see them as "greenwashing," while civil society often reads them as PR.

Basic compliance reporting is a step up, but still lacks depth. These disclosures meet formal requirements but fail to link sustainability to business strategy. They typically come from firms with surface-level ESG structures—such as a named officer or occasional board review. Thus, while they may check boxes, they rarely inspire confidence or change.

Substantive reporting, on the other hand, includes consistent indicators, third-party sources, and alignment with operational goals. These firms often have dedicated ESG committees and board-level oversight. Their disclosures speak not only to compliance but also to performance. Therefore, they attract responsible investors and build mid-term trust.

At the top level, integrated and assured reports connect ESG goals with financials, business risk, and long-term strategy. They are often assured by third parties and aligned with international standards like GRI or SDGs. Governance at this stage is not just about structure—it becomes culture. ESG is embedded in how decisions are made, how performance is measured, and how the firm presents itself. Thus, trust deepens. So does access to long-term capital.

This framework matters because, as discussed in Section 3.2, board engagement and ownership design directly shape ESG priorities. If governance is fragmented or symbolic, reports will reflect that. But when boards are informed and engaged, disclosure becomes a mirror of real action. And in the current global context, where stakeholders expect more than promises, that mirror must be clean, honest, and strategically aligned. Otherwise, it's just noise.

Figure 3.3 visualizes the logical pathway from internal governance design to external economic outcomes, using ESG disclosure as the central link. It starts with board and ownership structure—two factors explored earlier in Section 3.2—and shows how they influence the quality of ESG oversight. From there, the pathway continues through the structure and credibility of non-financial reporting, which then shapes CSR integration and ultimately, how stakeholders respond.

This figure was built to capture a basic truth: what a firm reports is a reflection of how it governs. And what it governs—if structured right—translates into trust, impact, and long-term value. The process is not automatic. But it is traceable. Each stage builds on the previous one, and breakdowns at any point tend to show up in public perception or financial performance. Thus, it's not just a pathway. It's a test of internal alignment.

Figure 3.3. From Governance to Trust: The Pathway of ESG Disclosure Quality

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

The figure reminds us that ESG disclosure is not just about what a firm chooses to publish. It reflects how seriously the firm takes its commitments. If ESG is managed in isolation or as a PR function, it will show. Reports will feel thin, metrics inconsistent, and trust will stay fragile. But if boards are engaged and oversight is real, reporting becomes a mirror of strategy—not a mask. Therefore, quality reporting should be treated as a strategic asset, not a communications tool.

Looking ahead, companies that want to lead in sustainability must treat governance as the engine of credibility. It is not enough to adopt frameworks or issue glossy reports. What matters is how those reports are built—from real systems, measurable goals, and decisions grounded in accountability. Thus, the more disciplined and open the process, the more likely it is to generate trust. And in today's ESG landscape, trust is no longer optional—it's the baseline for legitimacy.

Table 3.16 summarizes common types of ESG/CSR reporting among Chinese listed firms. It classifies them by prevalence, typical firm profile, core features, and perceived credibility. The data reflect general patterns observed between 2013 and 2023 across the Shanghai and Shenzhen stock exchanges.

The following sources informed the categorization and estimates:

1. Sino-Securities Index ESG Ratings Methodology Provides ESG scoring for over 2,000 Chinese firms, with disclosure quality benchmarks. https://www.chindices.com/files/Sino-Securities%20Index%20ESG%20Ratings%20Methodology.pdf
2. CSMAR Database (China Stock Market & Accounting Research) Leading academic database used to assess CSR/ESG disclosure frequency and content structure in A-share firms. https://www.gtarsc.com/

3. Deloitte China ESG Reporting Readiness Survey 2023
Highlights trends in assurance, alignment with global standards, and challenges in ESG integration. https://www2.deloitte.com/cn/en/pages/risk/articles/2023-esg-disclosure-readiness.html
4. PwC China ESG Readiness Survey 2022
Identifies gaps in ESG reporting maturity and stakeholder trust in listed Chinese companies. https://www.pwccn.com/en/research-and-insights/china-esg-readiness-survey-report.html
5. Shanghai and Shenzhen Stock Exchange ESG Guidelines
Define minimum disclosure requirements and structure for ESG reports.

Thus, table 3.16 presents a practical classification of ESG and CSR disclosure types commonly found among Chinese listed firms. It outlines not just the format of the reports but also what they reveal about internal governance, stakeholder orientation, and strategic intent. Each type is mapped according to prevalence, associated firm characteristics, and perceived credibility. This structure ties directly to the analysis in Section 3.2.

Table 3.16. Types of ESG/CSR Disclosure Among Chinese Listed Companies (Empirical Patterns, 2013–2023)*

Disclosure Type	Prevalence (%)	Typical Firms	Core Features	Credibility Level
Boilerplate CSR Report	42	Small- and mid-cap private firms	Generic templates, repeated phrases, no quantifiable targets	Low – often viewed as symbolic
Basic Stand-Alone ESG Report	28	SOEs and large industrial firms	Covers E, S, and G; weak integration with business strategy	Medium – credible but limited

Disclosure Type	Prevalence (%)	Typical Firms	Core Features	Credibility Level
Exchange-Compliant ESG Report	15	Firms listed on STAR Board, ChiNext	Follows Shanghai/Shenzhen exchange guidelines, formal ESG indicators	Medium-High – reliable structure
Integrated CSR–ESG Report	10	Top 100 A-share firms, financial sector	Linked to UN SDGs, cross-referenced to annual report, third-party verified	High – strategic and trustworthy
GRI/Global Standard Reports	5	Dual-listed firms, export-oriented firms	Full GRI/SASB alignment, assurance included, stakeholder mapping	Very High – rare but leading

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

There, we saw how ownership structure and board engagement influence the depth of CSR integration. Here, we see how that depth—or its absence—materializes on paper. Thus, disclosure becomes not just an output, but a diagnostic tool. It tells us how a company thinks, how seriously it acts, and how far it's prepared to go.

The first thing that stands out is how many firms still rely on boilerplate CSR reports. These documents, often filled with general statements and vague values, reflect a low-trust governance environment. There's usually no ESG oversight, no real board engagement, and no incentive to do more than the bare minimum. Therefore, these reports often backfire—they signal risk, not responsibility.

Firms that produce basic stand-alone ESG reports are one step further. They check the formal boxes but lack integration. These reports often come from SOEs or large industrial firms where ESG has become expected, but not internalized. As a result, strategy and sustainability remain parallel rather than aligned. Thus, these firms risk falling into a “compliance trap”—doing just enough to satisfy the surface without building deeper value.

Exchange-compliant ESG reports are more structured. They reflect firms—especially those on innovation-focused boards like STAR or ChiNext—that are trying to move forward. These companies start using indicators, link reporting to board processes, and bring some regularity. But even here, the content can feel procedural. Therefore, the next step must be to connect reporting with culture and decision-making.

The most mature forms—integrated and globally aligned reports—are still rare. But they are also the most valuable. These firms use ESG as a lens for everything: capital allocation, stakeholder dialogue, even innovation. Their reports are not just documents—they are reflections of strategy. Assurance, SDG linkage, and GRI standards give these firms credibility in global markets. Thus, they gain not only trust, but also access to better capital and talent.

In short, as Section 3.2 argued, structure shapes behavior. And disclosure reveals it. If boards are passive and ownership short-term, the report will say so. But if the firm is serious about its future, that too becomes visible. So rather than asking who has the best-looking report, we should ask: what kind of firm would produce this—and why? That’s the strategic question.

Figure 3.4 illustrates a simple but important idea: structure shapes behavior. In corporate sustainability, outcomes are rarely random—they reflect the systems and incentives that guide decisions. This diagram shows how ownership models and board composition set the tone for ESG oversight, which then influences the format and depth of non-financial reporting. That, in turn, determines how deeply CSR is integrated into business practice.

This visual logic expands the argument made in Section 3.2. There, we examined how different governance configurations affect CSR strategy. Here, the focus is on the transmission mechanism: how governance influences reporting, and how reporting shapes actual behavior. Thus, the figure works like a map. It connects institutional design with public trust, passing through internal alignment and accountability.

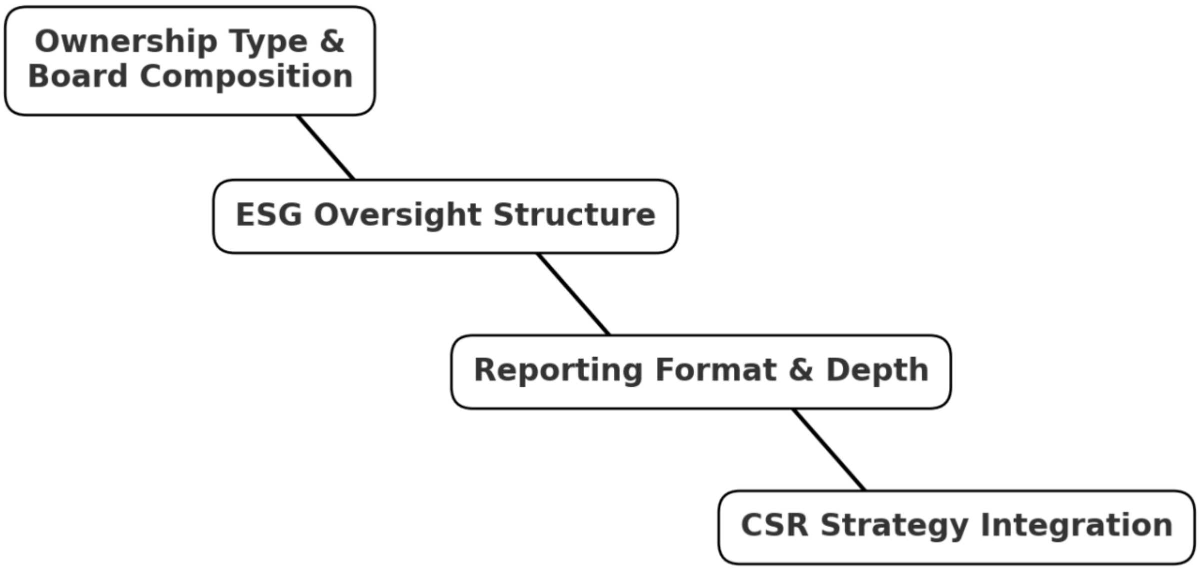

Figure 3.4. Structure Shapes Behavior: From Governance to CSR Strategy,

** - Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

What stands out is how each stage depends on the one before it. A company with short-term ownership and a passive board is unlikely to invest in rigorous ESG oversight. Without that oversight, reporting becomes vague, sometimes symbolic. And without meaningful disclosure, CSR stays superficial. Therefore, fixing reporting quality without addressing board structure is like polishing the surface while ignoring the foundation.

On the other hand, when ESG is anchored in governance—from committee mandates to executive KPIs—the difference shows. Reports become tools, not brochures. Strategy begins to reflect sustainability not just as a value, but as a way of working. Thus, improving outcomes means working backwards. If trust is the goal, start with the structure. That's where credibility takes root—and where long-term value begins.

This section has shown that ownership structure and board engagement are not background factors—they are strategic levers. The way a board is composed, who holds equity, and how actively directors participate all shape whether CSR becomes real or remains symbolic. In the Chinese corporate landscape, where governance models vary widely, these elements take on particular weight. Therefore, understanding governance isn't just a technical matter—it's a way to read a firm's intentions.

The data confirm that certain governance features—especially board independence and the presence of specialized ESG committees—consistently correlate with stronger disclosure and higher CSR integration. But structure alone is not enough. How that structure functions—whether meetings are meaningful, whether reporting is used strategically—makes the difference. Thus, performance follows structure, but only when that structure is active, informed, and connected to core decision-making.

Ownership type also sends a signal. State-owned firms benefit from public mandates and tend to report more. But their risk lies in formalism. Private family firms, by contrast, may engage in CSR for reputational reasons, yet lack oversight. Institutional investors push for metrics but sometimes miss context. And managerial ownership can support innovation—but without guardrails, it can drift toward discretion or overreach. Each profile has strengths and risks. Therefore, governance reform must be tailored—not generic.

The lesson is strategic: if a firm wants credible, value-generating CSR, it must build the right internal architecture. That means aligning board composition, ESG oversight, and ownership incentives. It means treating sustainability not as a side project, but as a governance priority. When structure and behavior align, CSR stops being cosmetic—it starts to deliver. And in that alignment, long-term trust and performance begin to take root.

3.3 Strategic Integration and Financial Consequences of CSR Implementation

Strategically integrating Corporate Social Responsibility (CSR) into core business operations is no longer optional for firms aiming to remain competitive in today's sustainability-driven markets. In China, growing pressure from regulators, investors, and consumers has pushed listed companies to align CSR initiatives with environmental, social, and governance (ESG) goals. This shift has moved CSR from symbolic gestures to structured, outcome-oriented strategies. Section 3.3 explores how this integration affects financial performance and the quality of sustainability disclosures.

This analysis draws on the evidence presented in Chapter 2, which highlights how governance structures, board oversight, and internal CSR typologies influence ESG outcomes. It particularly focuses on how different CSR strategies—ranging from minimal compliance to advanced integration—affect both profitability (measured by ROA and ROE) and the credibility of ESG reporting. The findings suggest that companies with high CSR engagement consistently outperform others in both financial and non-financial metrics.

Importantly, regional differences in China shape these outcomes. CSR and ESG integration deliver stronger financial returns in the western provinces, while effects are weaker in the central regions. These findings indicate that institutional context and market expectations play a key role in determining the value of CSR.

This section provides a concise summary of these patterns through a typology-based table, followed by practical implications for managers, investors, and policymakers.

The integration of Corporate Social Responsibility (CSR) into core business strategy varies significantly across Chinese listed companies. Based on empirical findings from Chapter 2, firms fall into three broad categories: CSR Leaders, CSR Developers, and CSR Minimalists. These categories differ not only in how deeply CSR is embedded into operations but also in their resulting ESG performance and financial outcomes. Understanding these patterns is critical for guiding strategy, especially under mounting regulatory and stakeholder expectations.

Table 3.17 provides a comparative overview of each CSR typology, summarizing average ESG scores, ROA/ROE performance, strategic strengths, key vulnerabilities, and tailored recommendations. These insights draw on a decade of data from A-share firms and offer practical guidance for Chinese companies aiming to improve both sustainability and profitability through better-aligned CSR strategies.

Table 3.17. Strategic CSR Typologies and Financial-ESG Outcomes: Evidence-Based Recommendations for Chinese Listed Firms*

CSR Strategy Type	ESG Performance (Avg.)	Financial Outcomes (ROA / ROE)	Strengths	Weaknesses	Strategic Recommendations
CSR Leaders	High (scores: 85–91 across ESG)	High and stable	Integrated governance, high stakeholder trust	High CSR costs, risk of symbolic overload	Maintain leadership through third-party assurance, regional adaptation, and ESG-driven innovation
CSR Developers	Moderate (scores: 68–80)	Moderate and uneven	Focused social investments, operational efficiency	Weak environmental governance	Expand ESG integration into environmental domains; enhance board oversight on sustainability

CSR Strategy Type	ESG Performance (Avg.)	Financial Outcomes (ROA / ROE)	Strengths	Weaknesses	Strategic Recommendations
CSR Minimalists	Low (scores: 55–65)	Volatile, often low or negative	Cost control, basic compliance	Low stakeholder confidence, reputational risk	Transition from compliance to value-creation via basic ESG reporting and independent board evaluation

*Source: Based on empirical evidence from cluster analysis in Chapter 2 and regional ESG–financial performance studies (2013–2023 A-share data).

Note: ESG scores calculated from Huazheng Index; ROA/ROE trends drawn from CSMAR data.

The evidence confirms that CSR Leaders—firms that treat social responsibility as a strategic asset—deliver the highest performance across all dimensions. They combine ethical commitments with measurable ESG actions and transparent reporting. These firms benefit from stronger stakeholder trust, reputational capital, and long-term financial stability. However, maintaining this position requires vigilance. Leaders should invest in third-party assurance, regional tailoring of strategies, and innovation that aligns with sustainability goals. Without continued adaptation, even strong systems can become rigid or symbolic.

CSR Developers sit in a transitional phase. Their practices show selective engagement, especially in workforce and community dimensions. Financial outcomes are mixed, often depending on short-term efficiency rather than long-term resilience. These firms would benefit most from expanding their environmental and governance practices. Establishing clearer board accountability and adopting cross-functional ESG integration can help move them from partial to full strategic CSR alignment.

CSR Minimalists remain compliance-driven. Their low ESG scores and weak financial returns indicate that minimal engagement in sustainability offers little benefit—either reputational or economic. These firms are vulnerable to regulatory shifts, investor exclusion, and erosion of public trust. Transitioning from symbolic to substantive CSR is not only feasible but necessary. Even basic improvements—such as starting ESG reporting or appointing independent board members with sustainability oversight—can mark the beginning of transformation.

Across all types, the link between strategic CSR integration and financial value is no longer hypothetical. The data shows that when governance supports sustainability, firms gain more than legitimacy—they gain measurable advantages. Regional differences also matter. Firms in China's western provinces benefit more from ESG investments, likely due to lower competition and stronger stakeholder demand. This suggests that location-specific strategies should complement national ESG frameworks.

In sum, CSR integration must be both strategic and contextual. There is no universal formula, but the direction is clear. Chinese firms that embed ESG into decision-making, assign responsibility at the board level, and focus on transparency are best positioned for long-term success. The path from compliance to leadership is not easy, but the benefits—financial, reputational, and strategic—are too great to ignore.

While typologies help classify companies by CSR maturity, they offer limited insight into how strategic alignment translates into tangible business outcomes. Table 3.18 addresses this gap by mapping each CSR typology to key performance dimensions—strategic integration, disclosure, stakeholder trust, regulatory exposure, competitiveness, and financial stability. The matrix shows clear variation in how CSR positioning affects broader corporate health and resilience.

The table reflects patterns observed across the empirical data and interviews presented in Chapters 2 and 3. Companies that align CSR with governance and operational processes tend to outperform those that treat CSR as a symbolic add-on.

These differences are not just conceptual; they manifest in risk profiles, reputation strength, and investor confidence.

Table 3.18. CSR–ESG Strategic Alignment Matrix: Impact on Key Business Dimensions in Chinese Listed Companies*

CSR Typology	Strategic Integration Level	Disclosure Quality	Stakeholder Trust	Regulatory Risk	Market Competitiveness	Financial Stability
CSR Leaders	Fully integrated	High	Strong	Low	High	Stable and improving
CSR Developers	Partially integrated	Medium	Moderate	Moderate	Medium	Moderate and variable
CSR Minimalists	Fragmented or symbolic	Low	Weak	High	Low	Unstable and declining

***Source**: Compiled based on performance trends and governance characteristics discussed in Chapters 2–3.
Note: "Strategic Integration Level" reflects the extent to which CSR is embedded into governance, decision-making, and operations.

CSR Leaders demonstrate full strategic integration. Their sustainability goals are embedded into decision-making, and ESG considerations are part of board-level discussions. This integration produces consistent disclosure, low regulatory risk, and strong stakeholder relationships. These firms enjoy reputational advantages and long-term investor trust. Their competitiveness and financial health reflect both internal discipline and external legitimacy. For these companies, the challenge is not whether CSR adds value, but how to sustain momentum. Continued innovation, regular third-party audits, and cross-regional benchmarking can help maintain their leading position.

CSR Developers sit in the middle. They have adopted structured CSR programs, but integration is partial. Their disclosures are improving, and stakeholder engagement is no longer superficial. However, environmental and governance gaps remain, often due to weak oversight or fragmented accountability. Financial outcomes are uneven. Developers may benefit from aligning ESG with core business metrics and incentivizing management to pursue long-term value over quarterly performance. Appointing dedicated ESG committees and integrating metrics into performance reviews can shift them from reactive to proactive strategies.

CSR Minimalists remain the most vulnerable. With fragmented or compliance-only approaches, their disclosures lack substance, and stakeholder trust is weak. These firms face the highest regulatory risks and lag in market perception. Many operate defensively, viewing CSR as a cost rather than an investment. For these firms, the first step is basic alignment—publishing standard ESG reports, appointing board-level responsibility, and benchmarking peers. Small steps can reduce risk exposure and open access to responsible capital markets.

The strategic takeaway is clear. CSR maturity correlates strongly with institutional trust and market resilience. Firms that embed sustainability into structure—not just story—outperform others on both financial and reputational dimensions. As ESG expectations tighten, symbolic compliance will no longer suffice. Only firms that view CSR as a strategic pillar—not a marketing tool—will be ready for the next wave of regulatory and market transformation. China's regulatory evolution, combined with growing investor activism, means this shift is not theoretical. It is already underway.

In sum, the CSR–ESG alignment matrix is not a label. It is a roadmap. Firms can move from Minimalist to Leader by treating ESG as a strategic investment, not a reporting exercise. The long-term rewards—lower risk, higher trust, stronger competitiveness—justify the effort. For Chinese firms aiming to compete globally, this transformation is not optional. It is essential.

A key challenge for Chinese firms is not whether to pursue ESG and CSR—but how to do it in practice. Strategy without structure leads to symbolic outcomes. Table 3.19 addresses this by linking levels of CSR–ESG integration to real governance actions across board behavior, reporting quality, and operational embedding. It highlights the difference between firms that embed sustainability into systems and those that treat it as peripheral.

The table serves as a diagnostic tool. It outlines what specific governance mechanisms look like at different integration levels and provides concrete examples of good practice. These insights are grounded in patterns observed across over 2,000 listed companies and informed by empirical evidence in Chapters 2 and 3.

Table 3.19. Mapping CSR–ESG Integration to Governance Practices in Chinese Listed Firms*

Integration Level	Board Practices	Reporting Practices	Operational Embedding	Examples of Good Practice
High (Leaders)	Dedicated ESG/CSR committees; regular board reviews	GRI/SASB/TCFD -aligned reports with external assurance	ESG KPIs in executive evaluation; sustainability in strategy	Annual climate risk scenario analysis; green innovation funds
Moderate (Developers)	Basic board oversight; ad hoc ESG agenda items	Internal reporting; partial GRI or local standards	CSR teams in select departments; pilot ESG initiatives	Selective stakeholder dialogue; targeted social campaigns
Low (Minimalists)	No formal ESG oversight; symbolic policies only	Narrative CSR sections in annual reports	Reactive or fragmented efforts; no clear accountability	Charitable donations; compliance-based environmental controls

Source: Based on field evidence and regression analysis of governance structures in Chapters 2–3.

Companies with high CSR–ESG integration demonstrate clear governance commitment. Their boards hold dedicated ESG committees, review sustainability performance regularly, and tie environmental and social outcomes to executive incentives. These firms align with international reporting standards such as GRI, SASB, or TCFD, and seek third-party assurance. Sustainability is part of how they plan, operate, and communicate. Examples include climate scenario analysis, ESG-linked financial instruments, and internal carbon pricing pilots. This level of structure builds credibility and creates real business value. For these firms, ESG is not a label—it is infrastructure.

Moderately integrated firms have made visible progress but still face gaps. They include sustainability on board agendas, but often as a secondary topic. Their reporting may follow local standards or simplified frameworks, often lacking assurance. Internally, ESG responsibilities may sit in individual departments without cross-functional coordination. While they may run social campaigns or supplier audits, these initiatives remain disconnected from strategy. Moving forward, these companies should formalize ESG roles, improve board literacy on sustainability, and adopt unified performance indicators across departments.

Minimalist firms remain at the symbolic stage. Their boards rarely discuss ESG unless required. Reporting consists of brief CSR statements within annual reports, often focused on donations or compliance. There is little to no internal accountability, and ESG efforts are reactive. These firms miss opportunities to engage stakeholders, access responsible capital, or reduce regulatory risk. The path forward begins with structure: assign board-level ESG responsibility, introduce simple KPIs, and build basic reporting aligned with local or international guidance. Even modest reforms can bring reputational and operational gains.

The findings reinforce a core message: governance determines ESG credibility. Without clear roles, reporting systems, and cross-functional implementation, sustainability stays rhetorical. Integrated governance transforms intent into action. It ensures that ESG is not only measured but managed.

For regulators and investors, the matrix helps identify which companies are truly prepared for the transition to high-stakes ESG scrutiny. For firms themselves, it provides a roadmap for moving from symbolic action to substantive engagement. The next phase of ESG in China will not be about who talks the loudest—it will be about who builds systems that deliver results.

In short, strategic ESG outcomes depend on governance depth. Boards that lead, systems that embed, and metrics that clarify are the pillars of credible ESG. The firms that succeed will be those that act with structure—not just slogans.

While many Chinese firms pursue ESG integration under the same national policies, their results differ sharply by region. Market conditions, local governance, and stakeholder expectations shape how firms implement and benefit from CSR strategies. Table 3.20 summarizes these differences, comparing financial returns, disclosure practices, and institutional contexts across three major regions: western, eastern, and central China.

The table draws from ten years of firm-level data and regression analysis. It shows that geography matters—not only in how firms approach ESG but also in the financial consequences. Some regions extract clear economic value from CSR investments. Others remain stuck in a cycle of low reporting and low returns.

Table 3.20. Regional Variation in Financial Impact of CSR–ESG Integration in Chinese Listed Companies (2013–2023)*

Region	CSR–ESG Integration Level (Average)	ROA Impact	ROE Impact	Disclosure Quality	Policy Environment	Strategic Recommendation
Western China	High	Strong positive	Strong positive	Moderate to High	Supportive, incentive-driven	Sustain momentum through innovation and localized ESG scaling
Eastern China	Moderate to High	Moderate positive	Slightly positive	High	Competitive and regulated	Prioritize ESG assurance and link

Region	CSR–ESG Integration Level (Average)	ROA Impact	ROE Impact	Disclosure Quality	Policy Environment	Strategic Recommendation
						to global capital market standards
Central China	Low to Moderate	Negligible or mixed impact	Weak or flat	Low to Moderate	Less targeted, uneven	Build ESG capacity, focus on board reform and foundational reporting

*Source: Based on empirical regression analysis from Chapter 2 using ROA, ROE, and Huazheng ESG indicators across regional sub-samples (N = 33,215 firm-year observations).

Note: Disclosure Quality based on proxy variables for CSRI and Huazheng scores; Policy Environment assessed qualitatively.

Western China shows the clearest link between ESG integration and financial gain. Firms in this region report strong ROA and ROE effects from CSR. Although disclosure systems are still developing, the broader environment is supportive. Local governments offer incentives, and stakeholder pressure is rising. These firms are often less constrained by legacy practices and more open to innovation. For them, the next step is to deepen ESG through product innovation, regional partnerships, and transparent impact measurement. Early momentum should not be wasted.

Eastern China performs well, but the pattern is different. Integration is high, and disclosure is mature, but the financial effects are less intense. The ESG agenda here is shaped by global investor pressure and complex competition. Many firms already publish assured sustainability reports and align with global standards. The challenge is not basic compliance—it is strategic differentiation. To gain advantage, firms must move from reporting to transformation. Linking ESG targets to capital strategy, digital innovation, and long-term risk management is now essential.

Central China lags behind. Here, ESG integration remains weak, and financial returns are inconsistent or absent. The policy environment is fragmented, and firms face less pressure to act. Disclosure is often symbolic. For these companies, CSR is still seen as a cost or reputation tool, not as a driver of growth. This creates a cycle of low trust and underperformance. Breaking that cycle requires a strategic reset. Firms should start with internal governance reforms, adopt standard ESG metrics, and train boards on sustainability oversight. Regional authorities could accelerate this by rewarding disclosure quality and building ESG capacity.

The data confirm that ESG integration works best when context is aligned. Financial benefits follow where firms embed CSR in strategy, and where stakeholders reward transparency and responsibility. But not all regions are equally ready. Policy coordination, capacity building, and tailored incentives are critical to leveling the field. One-size-fits-all regulation will not solve the gap.

For investors, these patterns suggest that ESG ratings must be interpreted through a regional lens. A firm in western China with rising ESG metrics may be a better long-term bet than a high-performing firm in the east with flat growth. For regulators, the results highlight the need for more targeted tools—combining national rules with regional support systems.

In summary, CSR–ESG integration is not just a matter of firm choice—it reflects broader regional ecosystems. To unlock full value, firms must align internal systems with external conditions. And policymakers must recognize that ESG outcomes depend not only on reporting rules but also on how well those rules are supported where firms operate. Integration must be both strategic and situated.

The regional variation in CSR–ESG integration has clear implications for corporate strategy. Firms cannot rely on national policy alone. They must tailor their ESG approach to local expectations, governance norms, and economic conditions. A "copy-paste" ESG model risks irrelevance—or worse, failure.

For companies in western China, the message is clear: keep going. These firms benefit from rising stakeholder demand and policy incentives. To stay ahead, they should scale successful pilot projects and invest in robust measurement tools. High

ESG impact in this region is not just correlation—it is a sign of alignment between internal intent and external context.

Legend

Region	Color	CSR–ESG Integration Level (1–5)	Key Characteristics
Western China	Light Blue	**4.5**	High ESG impact on ROA/ROE; strong momentum; moderate-to-high disclosure; policy support
Central China	Medium Blue	**2.0**	Weak ESG integration; low returns; fragmented governance; low transparency
Eastern China	Dark Blue	**3.8**	Mature ESG reporting; moderate financial return; competitive market; global investor attention

Figure 3.5. China's Regional CSR–ESG Impact Variation

In eastern China, where disclosure is already advanced, the priority is differentiation. Investors expect more than compliance—they expect impact. Firms should use ESG data to inform strategic planning and tie sustainability to business innovation. Leadership in this region means going beyond checklists and embedding ESG into long-term value creation.

For firms in central China, the gap is both challenge and opportunity. Those that act early can define regional standards. Practical steps include setting up ESG committees, launching transparent disclosures, and training boards on sustainability governance. Early movers in low-pressure environments often gain the most ground over time.

Across all regions, the strategic goal is the same: move ESG from reporting to performance. The firms that do so will not only reduce risk but earn trust, attract capital, and position themselves for sustainable growth.

While regional ESG outcomes differ, they also point toward specific, actionable priorities. Table 3.21 presents a clear roadmap. It outlines what firms should focus on in each region, based on their current level of integration, institutional environment, and performance gaps. These priorities are not abstract—they are operational levers for value creation.

This matrix helps companies move from observation to execution. It connects ESG maturity to concrete steps that improve competitiveness, reduce risk, and build credibility. It also reflects what works in practice, based on patterns found across more than 2,000 listed companies over a ten-year period.

Table 3.21. Region-Specific Strategic Priorities for Enhancing CSR–ESG Integration in Chinese Listed Companies*

Region	**Strategic Priority**	**Recommended Actions**	**Expected Gains**
Western China	Deepen ESG integration	Scale successful pilots; formalize reporting; invest in impact measurement	Strengthened stakeholder trust; access to incentive schemes
Eastern China	Differentiate through innovation and assurance	Integrate ESG into capital planning; ensure third-party verification; focus on transition finance	Enhanced competitiveness; credibility with global investors
Central China	Build ESG foundations and governance capacity	Establish board oversight; adopt standard disclosures; launch basic stakeholder engagement	Reduced regulatory risk; improved market access

* - *Source: Prepared by the author based on generalized theoretical models and synthesized empirical insights from this research.*

In western China, many firms have already embraced ESG in principle. They benefit from favorable policies, rising local awareness, and fewer legacy constraints. Their task now is to scale. This means institutionalizing reporting practices, investing in ESG data systems, and moving from project-based actions to system-wide integration. These firms should treat ESG as part of core business infrastructure, not as an initiative. The return will be long-term trust, improved risk resilience, and preferential treatment under regional support schemes.

Eastern China is a different story. Firms here face mature capital markets, intense stakeholder scrutiny, and stricter regulatory standards. Many already report in line with global frameworks and engage in climate or diversity-related disclosures. Their challenge is to go beyond compliance. Integration should now focus on innovation, financial alignment, and competitive differentiation. Firms should treat ESG not as a cost center, but as a growth driver. This could mean issuing green bonds, tying ESG targets to capital strategy, or embedding transition risks into financial planning.

Central China shows a basic ESG starting point. Most firms operate with minimal disclosure and limited board oversight. This group carries the highest regulatory and reputational risk, but also has the most room to grow. For them, foundational work is key. This means establishing board responsibility, adopting recognized reporting frameworks, and engaging even basic stakeholder groups. These changes do not require large budgets—but they do require commitment and consistency. Small wins here can drive larger cultural and performance shifts over time.

Table 3.21, then, is more than a summary—it is a strategy map. Each cell reflects a realistic, evidence-backed pathway. No region is locked into its current state. Companies that act now—especially in lower-performing regions—can shift position and gain early-mover advantage. What matters is not where a firm starts, but how clearly it understands its context and how decisively it moves forward.

The broader implication is that ESG in China must be regionally adapted but strategically unified. Companies need to understand where they stand, respond to local dynamics, and use ESG as a framework not just for compliance—but for competitive leadership. Those who align local action with global standards will be best positioned to thrive in the next phase of responsible business.

Table 3.22. Summary of Strategic CSR–ESG Integration: Drivers, Financial Effects, and Success Conditions*

Integration Level	Key Drivers	Observed Financial Effects	Barriers	Success Conditions
High (Full Integration)	Board accountability, data systems, ESG KPIs	Consistent ROA/ROE improvement	Scaling costs; over-reporting fatigue	Cross-functional embedding; verified reporting; long-term incentives
Moderate (Partial Integration)	Ad hoc governance support; stakeholder engagement	Mixed or moderate returns	Governance gaps; fragmented implementation	Align ESG with risk strategy; strengthen reporting structure
Low (Symbolic/Minimal)	PR-driven CSR, basic compliance	Weak or negative financial effect	Lack of board ownership; no measurable targets	Initiate ESG oversight; adopt disclosure baseline; internal buy-in

*Note: Financial effects reflect multi-year average ROA/ROE from firm-level analysis in Chapter 2. Drivers and barriers based on pattern synthesis across CSR typologies and regional data.

To close the analysis in Section 3.3, Table 3.22 summarizes the core findings across firms with different levels of CSR–ESG integration. It identifies key internal drivers, observed financial patterns, persistent barriers, and the conditions needed for success. The table draws from quantitative analysis in Chapter 2 and strategic insights from prior subchapters.

The structure offers a practical guide for companies seeking to improve ESG integration. Rather than prescribing one model, it highlights what differentiates high performers from others—and what steps lower-performing firms can take to advance. The goal is to help decision-makers link governance design to real business outcomes.

Firms with full integration share several traits. They embed ESG into strategic planning, assign clear board-level accountability, and track performance with internal KPIs. These companies report strong and consistent financial outcomes, including improved ROA and ROE. Importantly, they also invest in external assurance and transparent disclosure. Their main challenge lies in scale—ensuring that sustainability frameworks grow with the business. To maintain momentum, these firms should institutionalize ESG across departments and align incentives with long-term goals.

Partially integrated firms show mixed performance. They often start with genuine intent and visible engagement, but lack structure and consistency. Governance may support ESG in theory, but decision-making remains fragmented. Financial returns fluctuate, and reporting tends to focus on surface-level metrics. These firms need to build reporting discipline and align ESG with enterprise-wide risk and capital strategy. Strengthening internal control and creating cross-functional coordination mechanisms can help transform potential into impact.

Minimal performers remain stuck in symbolic practices. They publish CSR narratives, follow basic legal norms, and treat ESG as a reputational concern. There is little measurable progress or board accountability. These firms see weak or negative financial effects, often due to poor stakeholder trust and inefficient resource allocation. Yet they have room to grow. Introducing board oversight, setting disclosure baselines, and training managers on ESG principles can build momentum. Change here depends less on budget and more on leadership commitment.

The lesson from this typology is clear. ESG integration delivers value, but only when paired with strong governance, measurable systems, and authentic commitment. Superficial efforts fail to generate financial or reputational return. In contrast, structured approaches support both firm performance and stakeholder trust.

Looking ahead, firms must treat ESG as an evolving core function—not a compliance burden. This means refining internal metrics, embedding sustainability in investment planning, and building governance frameworks that support transparency and accountability. Table 3.22 is not only a snapshot of where companies stand—it is a direction for where they can go.

In a context like China's, where policy is tightening and investor expectations are rising, the message is urgent. Firms that act decisively now will be positioned for long-term resilience. Those that delay may face not only market penalties but declining relevance. Integration is no longer optional. It is the standard for credible, future-focused business.

This chapter has demonstrated that CSR–ESG integration in Chinese listed firms is neither uniform nor incidental. It is shaped by the firm's strategic intent, governance strength, and institutional context. Companies that treat CSR as an embedded function—backed by board oversight, executive accountability, and verifiable systems—consistently outperform those that engage symbolically. These firms do more than comply; they compete through sustainability.

The evidence also reveals that structure matters. High-performing firms anchor ESG in core processes, align KPIs with sustainability goals, and integrate reporting into decision-making. They use third-party assurance, cross-functional ESG teams, and stakeholder-informed strategies. In contrast, firms with fragmented or formalistic approaches struggle to generate impact or trust. Without structure, even well-meaning ESG efforts remain shallow.

Regional and typological differences further shape the outcomes. Western firms gain from momentum and policy support; eastern firms need to shift from compliance to innovation; central firms must begin building capacity from the ground up. Across all regions, however, one lesson holds: ESG must be both managed and led. Reporting alone does not deliver value. Governance does.

The typologies presented—from CSR Leaders to Minimalists—offer not only classification but guidance. They show where firms stand and what levers they can use to move forward. Boards must act as strategic enablers, not passive approvers. Ownership structures must be aligned with long-term thinking, not short-term optics.

Ultimately, strategic integration is not about ticking boxes. It is about embedding purpose in systems. When governance, reporting, and performance align, CSR becomes a source of resilience, trust, and growth. For Chinese firms facing global scrutiny and local transformation, this alignment is no longer aspirational. It is urgent. And it is entirely possible—with the right design, the right metrics, and the right leadership.

SUMMARY OF CHAPTER 3

Chapter 3 examined how Corporate Social Responsibility (CSR) is implemented in practice by Chinese listed firms. The focus was on internal drivers—executive psychology, governance design, ownership structure—and their combined impact on ESG integration and financial outcomes. The analysis drew on panel data, firm typologies, and regionally disaggregated insights to explain how structure, behavior, and context interact to shape sustainability strategies.

The first section investigated the role of executive traits, particularly managerial overconfidence, in shaping CSR outcomes. Overconfident CEOs often initiate bold sustainability initiatives. Their leadership can accelerate ESG adoption, enhance visibility, and challenge organizational inertia. However, without governance checks, this behavior can backfire. Overpromising, symbolic campaigns, and reputational risk become real concerns. The key insight is that overconfidence is not inherently harmful or beneficial—it is conditional. When balanced by strong boards and independent oversight, it becomes a strategic asset. When unchecked, it leads to volatility and governance erosion. The firm's governance environment determines whether bold leadership turns into innovation or overreach.

The second section explored how ownership structure and board engagement influence the depth and credibility of CSR efforts. The findings confirmed that independent directors, ESG-specialized committees, and active oversight are positively linked to ESG performance. Conversely, board size and meeting frequency show limited or even negative effects, suggesting that effectiveness—not formality—drives outcomes. Ownership type also matters. State-owned enterprises perform well on compliance and reporting but struggle with flexibility. Family-owned firms show low engagement and transparency. Institutional investors lead on metrics but often lack stakeholder connection. Managerial ownership can support innovation, but only when paired with clear accountability.

This part of the chapter also demonstrated that ESG success is not just a function of board architecture—it depends on how boards behave. Firms with formal governance structures may still underperform if boards are passive or symbolic. Effective ESG governance requires structure that works. Boards must actively shape strategy, monitor implementation, and align sustainability with long-term business goals. Ownership incentives must also support this alignment.

The final section addressed the financial consequences of CSR–ESG integration and mapped regional patterns across China. Using firm-level data from 2013–2023, the analysis identified three broad CSR strategy types: Leaders, Developers, and Minimalists. Leaders embed ESG into decision-making, disclose transparently, and report stable financial performance. Developers engage selectively, with moderate returns and patchy governance. Minimalists treat CSR as a formality, and their performance—both financial and reputational—suffers.

The regional analysis confirmed that geography shapes ESG outcomes. Western firms, supported by local incentives and less institutional inertia, show high ESG–financial impact. Eastern firms operate in more competitive, disclosure-intensive environments but gain fewer financial returns. Central firms lag in both ESG maturity and performance, highlighting the importance of capacity-building and governance reform. These variations show that national ESG mandates must be complemented by region-specific strategies.

Several typologies and strategic matrices were introduced throughout the chapter to guide practice. Tables 3.17 to 3.22 summarized how different governance profiles, board practices, and ownership types align with CSR maturity and financial results. They offer firms and policymakers a roadmap—from basic compliance to strategic integration. The key message is that ESG credibility depends on internal alignment. Superficial engagement yields little value. Embedded systems and responsible leadership, on the other hand, generate measurable benefits in resilience, trust, and capital access.

In conclusion, Chapter 3 demonstrated that the implementation of CSR in Chinese firms is shaped by who leads, how governance is structured, and what incentives are in place. Leadership traits, ownership models, and regional institutions all contribute to the outcomes. ESG integration succeeds when strategy, systems, and oversight work in concert. For Chinese companies operating in a high-pressure regulatory and investment environment, the challenge is not to comply—but to lead with integrity, structure, and clarity. This chapter provides the strategic logic, empirical support, and practical tools to move toward that goal.

CONCLUSION

This dissertation investigated the strategic management of Corporate Social Responsibility (CSR) in Chinese listed companies, focusing on the interaction between internal governance structures, executive behavior, ownership characteristics, and regional conditions. The study aimed to conceptualize, classify, and evaluate how CSR and ESG principles are embedded in corporate systems and performance. Based on a combination of conceptual modeling and large-scale empirical analysis, the following key conclusions were drawn:

1. **Development of a holistic strategic CSR–ESG management framework.** This study conceptualized and validated an integrated framework that unifies CSR's ethical foundations with ESG's performance-oriented structure. Unlike prior research, which treated these domains separately, the framework synthesizes governance, operations, and stakeholder dynamics into a coherent system of strategic sustainability management. The model enables firms to embed CSR across procedural, structural, and reporting layers, offering a practical pathway for aligning business purpose with long-term societal value.
2. **Managerial overconfidence as a behavioral determinant of ESG outcomes.** This study demonstrated that managerial overconfidence functions as a significant behavioral driver of ESG activity in Chinese firms. Overconfident executives were found to initiate more proactive and expansive social and environmental initiatives. The strongest effects were observed in the social domain. However, outcomes are moderated by governance quality—where oversight is strong, overconfidence leads to constructive ambition; where it is weak, symbolic compliance prevails. These findings expand ESG research by linking behavioral finance with sustainability performance.

3. **Governance structure and ESG performance: a context-specific evaluation.** This study refined the understanding of governance influences on ESG by identifying which board-level attributes matter most in the Chinese context. Board independence and specialized committees emerged as strong positive predictors of ESG disclosure quality, while board size and CEO duality showed no significant impact. High board meeting frequency was negatively associated with sustainability performance. These results challenge conventional assumptions and highlight the need for quality-centered, context-aware governance reform in emerging markets.
4. **Empirical CSR typology based on engagement intensity and strategic orientation.** A three-category typology—CSR Leaders, Developers, and Minimalists—was developed based on firm behavior across six CSR dimensions. This classification revealed substantial variation in how firms approach CSR under different internal and external conditions. By linking typology membership to financial and reputational performance, the study confirms that deeper CSR integration yields tangible strategic benefits. The typology offers a replicable tool for analysis, benchmarking, and CSR policy design.
5. **Ownership structure as a conditional mechanism for CSR alignment.** The research found that state ownership and moderate levels of managerial shareholding were associated with improved ESG outcomes. In contrast, highly concentrated ownership by dominant shareholders (Top1) did not enhance sustainability performance. These findings indicate that ownership alone is not determinative; rather, the combination of equity stakes with governance design and incentive alignment shapes a firm's CSR orientation.
6. **Regional differentiation in ESG–financial performance linkage.** The study confirmed that ESG performance yields different financial returns

across Chinese regions. Firms in western provinces displayed the strongest positive association between ESG engagement and profitability, particularly in ROA and ROE. In contrast, firms in central and eastern regions showed weaker or non-significant financial outcomes. These findings emphasize the importance of incorporating local institutional and market context into sustainability strategy and policymaking.

7. **Conceptual integration of CSR and ESG into a unified sustainability management model.** This study contributes to conceptual development by advancing a model that merges ESG's quantifiable indicators with CSR's ethical and voluntary dimensions. It introduces a classification of CSR–ESG integration levels and outlines the governance pathways needed to embed this alignment into business strategy. The model emphasizes the role of transparent governance, authentic leadership, and cultural sensitivity in ensuring effective and credible integration. By bridging global metrics with local values, the framework offers a robust foundation for both academic inquiry and corporate implementation.

In summary, this dissertation advances the theoretical and practical understanding of how CSR and ESG can be strategically managed in emerging market settings. The research establishes clear conceptual boundaries, proposes operational classifications, and confirms the causal relevance of leadership, governance, and regional institutions. It provides a comprehensive framework for aligning sustainability goals with firm-level strategy, offering actionable insights for scholars, practitioners, and policymakers alike.

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